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D 8523A

JAPAN
Solving an unpalatable issue
Page 7

World News

Bush willing to consider food aid to Soviet Union

President George Bush publicly acknowledged for the first time that the United States was willing to consider emergency food aid for the Soviet Union this winter if shortages develop. Page 20

Squatters killed

Nineteen black people were shot or hacked to death in a squatter camp massacre outside Johannesburg, bringing to 35 the death toll in renewed political violence in South Africa. Page 4

Help for separatists

The prime minister of Pakistan-ruled Kashmir said his government would help Moslem militants campaigning for independence in the Indian sector of the disputed Himalayan region.

Blow to Chamorro

The government of Nicaragua's President Violeta Barrios de Chamorro sank deeper into crisis, after Virgilio Godoy, vice-president, and Mr Arnoldo Aleman, mayor of Managua, declared their support for a right-wing opposition movement. Page 6

Union sets deadline

Bulgaria's independent trade union will call a general strike unless the Socialist prime minister and government resign within a week, union leader Konstantin Trenchev said. Page 3

Boat people appeal

Some 5,000 Vietnamese demonstrated at Hong Kong's biggest detention centre for boat people in support of nine compatriots who are challenging government repatriation policy in the High Court.

Yeltsin attacks plan

Russian President Boris Yeltsin attacked Mikhail Gorbachev's emergency plan for an overhaul of the Soviet government, saying that it did not give enough power to the country's constituent republics. Page 3

Corruption inquiry

The state government of Western Australia bowed to opposition pressure for an official inquiry into claims of corrupt links between politicians, bureaucrats and businessmen. Page 4

Blow to communists

Nationalist parties looked set to crush the ruling communists in the Yugoslav republic of Bosnia-Herzegovina's first free elections since the Second World War, according to early provisional results.

Suez tolls to rise

Tolls for nearly all ships in the Egypt's Suez Canal will increase by 6 per cent from New Year's Day, the Canal Authority announced.

German military aid

Germany agreed to assist the armed forces of Mozambique, which previously had military support from East Germany.

Dominican strike

A general strike demanding the resignation of Dominican Republic President Joaquin Balaguer paralysed most of the island's public transport and many of its businesses.

Nato suspect held

A former west German leftist guerrilla who hid in Communist East Germany for a decade was arrested for his alleged involvement in a 1979 bomb attack on Nato's supreme commander, German officials announced.

Polish slander

Poland's prosecutor-general ordered presidential candidate Stanislaw Tyminski to be investigated for slander after he accused Prime Minister Tadeusz Mazowiecki of betraying the nation, according to the official news agency.

Business Summary

Laventhol & Horwath to cease trading

Laventhol & Horwath, the seventh biggest accountancy firm in the US, is to cease trading on Friday. This is the most dramatic illustration yet of a serious recession in the US accountancy profession, and is believed to be the first time in history that a major firm has closed down. Page 20

EC FINANCE ministers reached agreement in principle on how to collect Value Added Tax (VAT) within the community after frontiers are removed in 1992. Page 20

BASF, big German chemicals group, saw pre-tax profits slump by 42 per cent to DM600m ($408m). Page 21

NEW YORK STOCK Exchange has announced disciplinary actions against five member firms and 28 individuals, for violations of the exchange's rules and federal securities laws. Page 28

PHILIPS, troubled Dutch electronics group, shook investors yet again with a forecast that net losses for 1990, at more than £1bn ($1.96bn) would be double earlier estimates. Page 21; Lex, Page 20

WPP GROUP, world's largest marketing services company, saw its share price plummet in UK by 113p to 279p on a profits warning. Page 22; Lex, Page 20

ATLAS COPCO, Swedish mining, construction and industrial equipment manufacturer, reported a 9 per cent increase in profits to SKr1.1bn ($198m) for the first nine months of 1990. Page 22

EUROPEAN COMMUNITY plans to open the market in investment services ran aground after member states failed to agree on the roles of regulated and over-the-counter markets. Page 20

CHRYSLER, US automotive group, has abandoned its plan to develop a small four-wheel drive sports/utility vehicle, a programme it originally established with Renault of France. Page 24

CBS, US media group, forecast fourth-quarter losses and said its 1991 earnings were expected to be lower than this year's. Page 24

BONN government fears that many east German companies which specialised in exporting to the Soviet Union and eastern Europe could approach collapse next year as "soft currency" payments arrangements are put on to a D-Mark basis. Page 28

JAPANESE banks, San-in Godo and Fuso have announced a merger plan that highlights the competitive pressure put on smaller banks by the gradual deregulation of Japan's financial sector. Page 24

SOUTH Korean manufacturing companies enjoyed strong sales increases during the first half of the year, but suffered a fall in profitability because of increased non-operating costs, according to a report by the Bank of Korea. Page 25

CITICORP made its first step into the sterling mortgage-backed securities market yesterday when it launched £400m ($784m) of floating-rate bonds. Page 27

US is the favoured region in the international allocation of shares in the flotation of the 12 UK regional electricity companies. Page 28

ITOMAN, Japanese trading house troubled by large property debts, reported a 64.9 per cent fall in pre-tax profit for the first half to end-September to Y2.35bn ($18m). Page 25

PORTUGUESE prices rose by 1.1 per cent in October, bringing the year-on-year increase to 14.4 per cent and the average annualised inflation rate to 13 per cent, according to the National Statistics Institute. Page 3

Paris declaration brings Cold War to an official end

By Robert Mauthner and Ian Davidson in Paris

AN END was solemnly declared to the Cold War yesterday in the gilded salons of the Elysée, the French presidential palace.

Former adversaries from east and west signed an unprecedented arms control treaty and joined forces to endorse a joint declaration renouncing the use of force, 45 years after the beginning of superpower rivalry.

But the splendour of the public reconciliation between east and west was clouded by the emergence of significant policy differences between the Soviet Union and some of the leading western powers over the future of arms control in Europe.

These differences were particularly marked over the prospects for negotiations on short-range nuclear weapons in Europe which, in principle, are due to follow the conventional forces treaty.

Soviet President Mikhail Gorbachev called for the opening of negotiations on short-range nuclear forces (SNF) "within the next month or two". But US president George Bush significantly passed over in silence the question of SNF negotiations, while Mrs Margaret Thatcher, Britain's prime minister, bluntly insisted on the usefulness of nuclear weapons in the future defence of Europe.

"I don't think we should expect further dramatic reductions in forces," she said. "Security comes from knowing that you have a strong defence, including nuclear weapons which have played such an important part in keeping the peace in Europe."

Nato is already committed in principle, by its London declaration last July, to negotiations between the US and the Soviet Union on short-range nuclear forces in Europe.

Even before unification, the German government was keen to see substantial reduction, if not complete elimination, of short-range missiles and other nuclear weapons from its territory. Mrs Thatcher's vigorous endorsement of the role of nuclear weapons could revive frictions between London and Bonn, as well as between London and Moscow.

The epoch-making treaty on conventional forces in Europe, signed by the 22 political leaders from the 16 members of Nato and the six Warsaw Pact members, will bring to an end

Continued on Page 20
Background, Details, Page 2

The leaders of France, the Soviet Union, Romania and Britain in Paris yesterday

US and Soviets near pact on use of force against Iraq

By Peter Riddell, US Editor, in Paris

THE US and Soviet Union were last night close to agreement on a United Nations resolution authorising the use of force against Iraq as Baghdad announced plans to send 250,000 more soldiers to Kuwait.

President George Bush, who met President Mikhail Gorbachev at the 34-nation European security summit in Paris, expressed doubts about the possibility of a negotiated settlement to the Gulf crisis. He warned: "It cannot go on for ever, and won't go on for ever".

Iraq, meanwhile, said it was reinforcing its army in Kuwait to deter the US-led multinational forces in Saudi Arabia from launching an attack. The US State Department said the new Iraqi troop build-up suggested that President Saddam Hussein was not interested in peace.

The Iraqi News Agency said the country's leadership believed the US and its allies would need 3m men for an assault. "This shows their helplessness and the nature of the adventure which cannot achieve anything but an astounding failure if things come to war," the news agency said.

Mr Saddam is trying to discourage the Americans from attacking by highlighting the possibility of heavy US casualties and by playing the hostage card.

Mr Bush dismissed the latest Iraqi offer to start releasing all the hostages in batches, beginning on Christmas Day, as a cynical ploy to rally public opinion.

Before last night's meeting between the Soviet and US presidents, Mr James Baker, US secretary of state, stressed the "importance of maintaining, to the extent we can, a common approach and a common understanding [with the Soviet Union]".

Mr Bush and Mr Baker are holding intensive meetings in Paris with other leaders and ministers attending the two-day Conference on Security and Co-operation in Europe.

After talking to Mr Baker, Mr Douglas Hurd, the British foreign secretary, said a UN Security Council resolution would be approved "quite soon", although he added that seeking it by next week might be "a bit soon".

Among the ideas being circulated for the wording of such a resolution is that member countries would be authorised to take "appropriate action", implying the use of force, if Iraq failed to withdraw after a specified period.

Mr Baker, who will shortly have held talks with the foreign ministers of virtually all 15 members of the Security Council, will not announce detailed terms until there is agreement.

Several governments have reservations about making too explicit an endorsement of force. The French government said yesterday that, contrary to US reports, it had not given assurances that it would back an authorising resolution; Paris had agreed only to discuss the move.

Briefing the press after a breakfast meeting with Mrs Margaret Thatcher, Britain's prime minister, Mr Bush declined to go as far as her in saying that "either Saddam Hussein withdraws or the military option has to be used". Mr Bush merely said that the US was not ruling out any options.

Mr Bush said he had not seen anything to make him believe that a new diplomatic approach could fulfil the obligations of complying fully and unconditionally to a fresh UN resolution. "That's the only way to get a peaceful solution to this question because it's not going to go on for ever."

All the negotiation efforts fell short because of Iraq's failure to withdraw from Kuwait, he said. "Every day that goes by just strenghens my resolve."

Mrs Thatcher said: "We see so similarly on most things: we have the same firmness on the Gulf, the same horror that hostages are kept at all, that they should be released immediately, the same firmness that if Saddam Hussein does not withdraw from Kuwait the military option would have to be used."

"We just have to get the fundamentals straight. He plays with human beings as if they were pawns. Unless you stop this man, there will be no peace in the world, let alone in the Middle East."

Sanctions have not yet hit food

WESTERN diplomats in Baghdad do not believe that sanctions will really begin to hit Iraqi consumer food supplies until March. Even then, it may depend on the season's harvest.

Three months after the blockade began, the lives of ordinary Iraqis are increasingly austere. Iraq, which used to depend on food imports, has launched a campaign to grow grain and rice. Capital investment in agriculture now comes second only to military spending.

Many factories have already closed, and diplomats suggest output at mines and steel factories has fallen to a third of previous level.

Some plants have been ordered to reduce working hours to save raw materials. The country's main textile plant, for example, is reportedly functioning for only eight hours a week. Such raw materials as can be found are often diverted to the army.

Full story; Iraqis to deploy 250,000 more troops, Page 4

Both contestants confident in UK leadership battle

By Philip Stephens, Political Editor, in London

MRS Margaret Thatcher's supporters predicted confidently last night that the British prime minister is set for an outright victory in her leadership contest today against Mr Michael Heseltine.

But as the last day of a bruising leadership battle ended in an increasingly bitter and personalised war of words, Mr Heseltine appeared equally optimistic that he would secure enough votes to force a second round of balloting.

Speaking in Paris, where she is attending the 34-nation Conference on European Security and Co-operation in Europe, Mrs Thatcher said she "earnestly" believed she would still be prime minister at the end of this week.

Mr Heseltine, whose campaign has been buoyed by opinion polls showing that his leadership would restore the party's electoral fortunes, said his support had been rising steadily.

Less committed members of parliament at Westminister who joined in the tense flurry of counting and calculating in the lobbies and corridors of the House of Commons suggested that the result was still too close to predict accurately.

In an article in today's Financial Times, Mr Heseltine indirectly accuses Mrs Thatcher of conducting the debate over Europe in "the language of nostalgia".

He warns that Britain – and the City of London – risks being left behind in a two-speed Europe unless it plays a more active role in shaping plans for economic and monetary union.

His article avoids direct attacks on the prime minister but sets out starkly his alternative to the vision she outlined in a similar piece published in the FT yesterday.

"At the heart of the debate is a failure to understand how the Community works. It is a group of nation states, sharing sovereignty in the pursuit of collective self-interest, not a hidden plot to impose centralised European federalism," he says.

Some senior ministers concluded yesterday that although Mrs Thatcher appeared set to emerge victorious when the votes are counted at 6pm this evening, her authority in the government and in the country may be seriously undermined. "She loses either way," one member of the cabinet commented.

Mrs Thatcher's supporters were claiming that she was guaranteed around 220 votes from the 372 Tory MPs eligible to take part in today's ballot. That would imply a comfortable first-round victory but it

Continued on Page 20
The challenge to Thatcher, Page 8; Co-operation, not federation, Page 19

ENI names its price for sale of Enimont stake to Montedison

By John Wyles in Rome

THE 11-month long battle for control of Enimont, Italy's public-private chemicals joint venture, moved into a decisive phase yesterday when ENI, the state oil company, set down a price at which it is prepared to sell its 40 per cent stake to Mr Raul Gardini's Montedison.

The move effectively relaunches the plan which the [illegible] put forward in September [illegible] resolve the conflict between [illegible] two main [illegible] holders.

This [illegible] involve ENI purchasing Montedison's 40 per cent of Enimont, should Mr Gardini chose not to take up the Enimont shares offered to him by ENI.

Montedison's response looks likely to be given after a series of board meetings on Thur[illegible] morning of the chief ho[illegible] companies in Mr Gardini's Ferruzzi empire.

Later in the day, Mr Gardini and Mr Gabriele Cagliari, the ENI president, are due to meet Mr Franco Piga, the minister for state shareholdings who appears to have inspired the ENI initiative.

It has been widely suggested in Rome that ENI has put a price of more than L2,700bn ($2.43bn) on the 40 per cent Enimont stake it is offering to sell to Montedison.

This would be a 25 per cent premium to the price last traded on the Milan stock exchange.

If ENI's sale price emerges at between L2,700bn and [illegible] analysts would [illegible] it had been fixed [illegible] to encourage [illegible] Mr Gardini but also [illegible] per cent minority shareholders to ENI.

Enimont is trading at a loss in an increasingly bleak market for its largely basic chemicals businesses.

If it were to be the prospective purchaser, ENI announced yesterday that it would make a full public offer – which is unusual and not yet legally required in Italy – "in the interests of market transparency and of minority shareholders."

Mr Gardini has given no such assurance to minority holders who include allies whose 10-11 per cent holdings have given him day to day management control of Enimont.

Pressure on him to resolve the long running battle with ENI has mounted since the state company secured a court injunction which put the stakes of both main shareholders in the hands of the Milan Tribunal.

Both Mr Gabriele Cagliari, the ENI president, and Mr Giuseppe Garofano, the Montedison president, are due to appear before a Milan judge today.

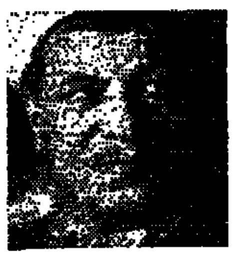
The encounter could be followed by a decision to postpone a shareholders meeting fixed for tomorrow at which a court-nominated board for Enimont would be elected.

In a statement last night, ENI warned that it would press ahead down the legal road unless it had a timely response from Montedison.

Consob, the Italian stock exchange regulatory authority, yesterday suspended trading in Italy in all Ferruzzi quoted companies except one.

CONTENTS

Iran adopts tougher means for a milder future



Some of the men who most threaten the policies of President Rafsanjani (left) are being ostracised as Iran's decade-old system of government begins to break up

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MARKETS

STERLING
New York close
$1.9740 (1.9882)
London:
$1.9705 (1.966)
DM2.905 (2.89)
FFr9.8025 (9.765)
SFr2.4525 (2.4475)
Y254.25 (254.50)
£ index 94.0 (93.8)

GOLD
New York: Comex Dec
$382.3 (379.8)
London:
$379.75 (376.5)

N SEA OIL (Argus)
Brent JAN
$30.0 (28.925)

Chief price changes yesterday: Page 21

DOLLAR
New York: close
DM1.4725 (1.4705)
FFr4.9890 (4.9885)
SFr1.2460 (1.2465)
Y128.70 (129.47)
London:
DM1.474 (1.4705)
FFr4.975 (4.9875)
SFr1.245 (1.2445)
Y129.0 (129.40)
$ index 59.8 (60.0)
Tokyo close: Y128.95

US closing rates
Fed Funds $7\frac{3}{16}$% ($7\frac{3}{16}$)
3-mo Treasury Bills:
yield: 7.31% (7.30)
Long Bond:
$102\frac{1}{2}$ ($103\frac{7}{32}$)
yield: 8.51% (8.45)

STOCK INDICES
FT-SE 100:
2,095.9 (+27.9)
FT Ordinary:
1,648.0 (+33.2)
FT-A All-Share:
1,009.06 (+1.3%)
FT-A World Index:

New York close
DJ Ind. Av.
2,565.35 (+15.10)
S&P Comp
319.34 (+2.22)
Tokyo: Nikkei
23,518.16 (+346.53)

LONDON MONEY
3-month Interbank:
closing $13\frac{11}{16}$-$13\frac{9}{16}$ ($13\frac{23}{32}$)
Liffe long gilt future:
$84\frac{9}{32}$ ($84\frac{3}{32}$)

EUROPEAN NEWS

Ambiguity centres on prospects for negotiations covering land-based nuclear missiles

E European shadow over arms control's future

By Ian Davidson in Paris

THE conventional arms reduction treaty signed by Nato and Warsaw Pact leaders in Paris yesterday is the most spectacular such agreement ever. It should render impossible the kind of surprise attack feared by the west since the end of the Second World War.

But the recent political changes in eastern Europe mean that this Treaty on Conventional Forces in Europe (CFE) has been concluded at a time of great uncertainty over the future of arms control.

The most immediate ambiguity centres concerns east-west negotiations on land-based nuclear missiles and other short-range nuclear forces (SNF) in Europe.

At German insistence, the western allies in July promised that negotiations on the reductions of SNF "should begin between the United States and the Soviet Union shortly after a CFE agreement is signed."

However, yesterday's joint declaration by the members of the two alliances did not reiterate any such firm commitment; only President Mikhail Gorbachev explicitly called for SNF negotiations in the near future.

Yesterday's treaty will impose steep cuts in five categories of offensive conventional weapons held by the Soviet Union, thanks to new and equal ceilings on the arsenals held by the signatories.

But the liberation of the countries of eastern Europe makes them reluctant to envisage any further negotiations in which they would be considered Soviet satellites.

Moreover, the latest figures tabled in Vienna just before the signature of the CFE treaty show that the Soviet Union has transferred behind the Urals even larger quantities of treaty-limited equipment than had been estimated.

The next step in the arms control process will be a manpower pendant to the present treaty, to back up the new ceilings on five categories of offensive weapons with ceilings on manpower. This additional phase of the conventional force negotiations will incorporate the unilateral declaration by the German government that the combined manpower of the united Germany will not exceed 370,000 men, compared with the current aggregate of around 470,000 men.

At the same time, East-West negotiators should star on the drafting on an open-skies regime to faciliate verification of the new arms control agreements. In addition, the negotiators in Vienna will seek to draw up qualitative confidence-building measures to avert any residual dangers of conflict.

President Mikhail Gorbachev listens intently to an aide at yesterday's signing, while Mr Eduard Shevardnadze, his Foreign Minister, looks on

Warsaw Pact and Nato pledge new era of friendship

By Ian Davidson and Robert Mauthner in Paris

THE 22 Nato and Warsaw Pact countries signed a solemn joint declaration in Paris yesterday, affirming the end of the era of confrontation and promising not to use force against each other. The declaration was adopted on the occasion of the signature by the Warsaw Pact and Nato nations of a treaty on the reduction of conventional forces in Europe.

The signatories declared that, "in the new era of European relations which is beginning, they are no longer adversaries, will build new partnerships and extend to each other the hand of friendship".

They affirmed their obligation and commitment to refrain from the threat or use of force against the territorial integrity or the political independence of any state, or from seeking to change existing borders by threat or use of force.

"None of their weapons will ever be used except in self-defence or otherwise in accordance with the Charter of the United Nations," the declaration said. The signatories also undertook to maintain only such military capabilities as were necessary to prevent war and provide for effective defence.

At the same time, the 22 nations reaffirmed the right of any state either to be, or not to be a party to a treaty or an alliance. The 16 members of Nato have already made it clear that they want to maintain their alliance, since they do not believe that the new pan-European security machinery can take the place of an effective western defence system.

Declaring their determination to pursue the process of conventional arms control within the new European security framework, the signatories also welcomed "the prospect" of new negotiations between the US and the Soviet Union on the reduction of their short-range nuclear forces in Europe.

Though Nato has already given the green light in principle to such negotiations, as soon as the treaty on conventional force reductions was signed, no firm starting date has yet been fixed.

The signatories also underlined the importance of an early agreement on the US "open skies" initiative.

EC divided over plans for market systems

By Lucy Kellaway in Brussels

EUROPEAN Community plans to open the market in investment services ran aground yesterday after member states failed to agree on the roles to be played by regulated and over-the-counter markets.

Britain clashed with France over a proposal under which trading in listed securities would be restricted to regulated markets. Were this to be agreed, the UK fears it could greatly damage successful off-market systems such as Seaq International, London's screen-based market for international shares, and would also run contrary to the purpose of the directive, which is to open, not restrict, markets.

The French, with the strong support of the Belgians and most southern member states, insisted that on the grounds of investor protection it was necessary to ensure that trading in certain securities only took place on regulated markets.

The UK, Germany and the European Commission see as spurious any link between investor protection and organised exchanges. They regard the French system as an attempt to shore up the monopoly of the French stock exchange.

Although positions on both sides were deeply entrenched yesterday, one possible compromise would allow trades to take place on non-restricted markets only with an investor's permission.

The issue reflects a fundamental difference in approach to securities trading in more liberal countries such as the UK and Germany, where off-market trading is allowed to thrive and more restricted countries such as France, where the stock exchange is given a near monopoly of trading in French shares.

The Italian presidency has stated explicitly that it would like the directive – which would establish a single passport for European investment firms that would allow them to do business anywhere in the EC – to be agreed by the end of next year. But that target looks increasingly unrealistic after yesterday's meeting.

Ministers also discussed the issue of price transparency, with some pressing for full disclosure of all prices at the time of the trade, and others arguing that this would hurt liquidity.

Complex rules open up conventional forces to inspection teams

By David White, Defence Correspondent

NEVER will there have been so many people from so many countries looking so openly at each other's weapons, as under the Conventional Armed Forces in Europe (CFE) treaty signed in Paris yesterday.

After reductions have been made and scrutinised, Nato will on current calculations be entitled to more than two inspection teams per week on Soviet territory.

Methods of destroying fighting vehicles, guns and aircraft and provisions for verification take up more than half the 111 pages of the English-language text. The bulk of that – 38 pages – is the protocol on inspections.

The victorious Second World War powers got some inspection practice through rights of access in east and west Germany. But the main experience CFE will build on is the "on-site" inspection procedure laid down by the 1987 US-Soviet Intermediate Nuclear Forces (INF) treaty, which included short-notice "challenge" visits.

Diplomats describe the CFE provisions as going "some way beyond" those of INF. This will be the first treaty to include inspections of "undeclared" sites, although host countries can refuse.

However, one INF provision not included is inspection of production facilities.

According to Dr Patricia Lewis, director of the Verification Technology Information Centre, a London-based research group, Britain and France opposed this to prevent their defence industries being treated differently from companies based outside the treaty boundaries. The treaty area excludes the US, Canada and most of the Soviet Union.

Verifying the CFE ceilings is much more complex than INF, which involved the complete elimination of one kind of weapon. Surplus equipment must be rendered unusable, or in the case of some tanks and armoured vehicles converted into bulldozers, fire-fighting vehicles and the like.

The treaty has four principal phases, starting from ratification: a 120-day period for "baseline validation" to check on numbers; three years of reductions; another validation period; and then the "residual phase".

Inspection quotas are based on each country's declared list of "objects of verification" (known as OOVs). A typical OOV would be a regiment or a repair facility. Every country has to accept inspection of a percentage of its OOVs. It is a complex arrangement, with the percentage varying in the different phases of the treaty from 10 per cent to 20 per cent.

An added complication – hardly foreseeable 20 months ago when the talks started – is that Hungary and some fellow Warsaw Pact allies insisted on being able to conduct inspections on other Warsaw Pact members. That could eat into the inspections to which Nato is entitled. But Nato officials hope that the information gleaned will be shared.

Inspection by aircraft is not covered by the treaty, but signatories are committed to negotiating an agreement. This will be another topic for delegates in Vienna to tackle when they return to negotiations next week to discuss manpower.

What Nato really wants, however, is the more generalised serial inspection foreseen in the Open Skies discussions, to keep track of the many weapons that Moscow has moved from Europe to the other side of the Urals. This includes some 20,000 tanks.

Latest Soviet figures supplied in Vienna on Friday showed holdings, for instance, of barely 13,800 artillery pieces in Europe – compared to an estimated 33,200 at the beginning of this year. This would leave only 600 to be destroyed. In total, about 19,000 Soviet items now stand to be scrapped or converted, a quarter of the number originally expected.

Nato is in two minds about the Soviet transfers. It always wanted the arms out of Europe, but also wants to ensure they never return.

● Britain will have to get rid of at least 183 of its 1,198 battle tanks under the CFE treaty – the equivalent of just over three armoured regiments. Allocations agreed with Nato allies also mean reducing the British army's 3,193-strong fleet of armoured combat vehicles by at least 17. But the ceilings would give the UK room to keep all its artillery and to increase its total of combat aircraft and helicopters, according to figures given to parliament yesterday by Mr Archie Hamilton, armed forces minister.

ARMS HOLDINGS IN ATLANTIC-TO-URALS REGION

	JANUARY 1990			NOVEMBER 1990			*1994		
	Warsaw Pact	Soviet Union	Nato	Warsaw Pact	Soviet Union	Nato	Warsaw Pact	Soviet Union	Nato
Tanks	53,300	39,100	23,000	39,000	21,000	26,650	20,000	13,150	20,000
Armoured combat vehicles	61,100	46,200	30,100	48,000	32,000	34,500	30,000	20,000	30,000
Artillery	46,900	33,200	18,500	32,000	18,000	21,200	20,000	13,200	20,000
Combat aircraft	9,800	7,800	5,900	8,500	6,700	6,100	6,800	5,150	6,800

All Soviet figures are contained in the larger Warsaw Pact figures. The treaty also sets a ceiling of 2,000 attack helicopters for each alliance, but none must be destroyed. Changes since January, 1990, reflect the incorporation of the former East Germany into Nato and the transfer of Soviet equipment outside the treaty area.
**CFE treaty ceiling signed yesterday.*

FINANCIAL TIMES TUESDAY NOVEMBER 20 1990

Yeltsin attacks Gorbachev's union rule plan

By Leyla Boulton in Moscow

RUSSIAN President Boris Yeltsin said yesterday that Mr Mikhail Gorbachev's emergency plan for an overhaul of the Soviet government did not give enough power to the country's constituent republics.

"Everything is based on strengthening the centre," he said. "I am convinced that this will not improve but will worsen the situation in the country."

Significantly, however, Mr Yeltsin, whose support is crucial to the Soviet leader, fell short of rejecting the plan, saying it needed to be studied "attentively".

The proposals, approved by the Soviet parliament on Saturday, have yet to be put to leaders of the 15 Soviet republics. Mr Yeltsin told Interfax news agency that Mr Gorbachev had not consulted republican presidents before unveiling them.

It is likely however that the republics' leaders will be consulted later this week, once Mr Gorbachev returns from Paris. Mr Leonid Kravchuk, the president of the Ukraine, the country's second biggest republic, yesterday gave a cautious welcome to the plan. But he said that its success would depend on its fine-print.

President Kravchuk and Mr Yeltsin spoke in a joint interview shortly before signing a bilateral co-operation treaty between the two biggest Soviet republics. Republics throughout the country have been busily concluding direct economic and political agreements in an attempt to shake off centralised rule from Moscow.

Mr Gorbachev suddenly announced the planned shake-up after an extraordinary parliamentary session on Friday, at which republican leaders accused the central government of incompetence and dictatorial behaviour.

Three presidents – Mr Yeltsin and his counterparts from Armenia and Latvia – said an inter-republican committee should take over the main functions of the central government.

The eight-point plan effectively puts the present Soviet government under direct presidential control, with the Council of Ministers becoming the Cabinet of Ministers.

It also gives the so-called Council of Federation, which groups all republican presidents including Mr Yeltsin, the final word on union-wide policy. Mr Nikolai Ryzhkov, the beleaguered Soviet prime minister, said on Saturday that there was no room for him in the new structure.

But no official announcement has been made clarifying whether Mr Ryzhkov will resign or at least whether his job as chairman of the Council of Ministers will survive under the new scheme.

Mr Alexander Yakovlev, a senior adviser to Mr Gorbachev, said on Saturday that the plan was probably open to further changes. "A search is underway, and I don't think we have seen the final version," he told reporters.

The outcome will depend no doubt on the final verdict of the republics, since the national parliament has already approved the plan.

Yeltsin: fell short of rejecting the plan

Currency regulations go before parliament

By Leyla Boulton

THE Soviet parliament today examines a draft law setting new rules for the use inside the country of foreign and Soviet currency. Just a few months after reopening hard currency stores for Soviet citizens, the government now plans to prevent them spending foreign currency within the country.

The law says its aim is to boost the spending power of the rouble and to establish it as the only legal tender. It also vindicates a warning this summer by an angry Mr Viktor Geraschenko, head of the Soviet central bank, that the government would have to close the shops again, because they would introduce a competing currency.

The new legislation also declares that the Soviet citizens cannot be paid in foreign currency, even though they can hold it in special accounts for spending abroad.

The draft allows foreigners to hold rouble bank accounts in the Soviet Union, enabling them to reinvest their roubles within the country.

The law does not, however, deal with repatriation of rouble profits.

Portuguese inflation continues to accelerate

By Patrick Blum in Lisbon

PORTUGUESE prices rose by 1.1 per cent in October, bringing the year-on-year increase to 14.4 per cent and the average annualised inflation rate to 13 per cent, according to the National Statistics Institute.

This is the second month in a row that prices have risen by more than 1 per cent. Analysts believe the acceleration of inflation demonstrates the Portuguese economy's vulnerability to rising energy costs and higher oil prices following the onset of the Gulf crisis.

Transport costs – which are most affected by fuel prices – have risen by over 22 per cent compared with a year ago.

More worrying for the government (and less expected) is the continued upward movement in prices of basic foods and drinks, which now cost 15.4 per cent more than a year ago. Transport and food are major expenditures for those with low or fixed incomes.

Economists foresee annual inflation approaching 14 per cent by the end of the year and doubt that the government will be any more successful with its 10 per cent inflation aim for 1991 than it was with this year's 10.5 per cent target.

Polish strike called off

BUS and tram drivers called off a week-long strike in the southern city of Krakow yesterday, but Poland faced the threat of large-scale stoppages in the last week of its presidential election campaign, Reuter reports from Warsaw.

Many of the country's 400,000 coalminers and 90,000 municipal transport workers have threatened a day-long strike tomorrow, to demand higher pay, bigger subsidies for transport and an end to state-set prices for coal.

A Solidarity miners' delegation had last-minute talks yesterday with government officials headed by Industry Minister Mr Tadeusz Syryjczyk, to try to settle the coalmining dispute. Miners at 44 of Poland's 70 pits voted last week for a one-day strike. The government, concerned by a resurgence of inflation after prices rose 5.7 per cent in October, has warned against inflationary wage deals.

The threat of a strike by municipal transport workers diminished with the ending of the Krakow stoppage, although a strike by bus and tram drivers in Gdansk continued.

Moscow-Helsinki trade may switch to hard currency

By Enrique Tessieri in Helsinki

MR Ilkka Suominen, Finnish minister of trade and industry and first vice-president of the Finnish-Soviet trade commission, believes that trade between Helsinki and Moscow could switch from semi-barter clearing to hard currency within a few months.

A Finnish-Soviet trade commission is holding two days of talks in Moscow over the future of bilateral trade and the arrangements which could replace the antiquated semi-barter system.

The barter clearing system, and the clearing rouble used in accounting bilateral trade, are widely expected to be defunct by the end of this year.

"Since there is a half a year transition period if trade switches to hard currency, this means that clearing trade between both countries will officially come to an end on June 30, 1991," said one trade expert. The six-month period would take care of any payments which may have been left over in the clearing account from 1990.

Senior Finnish officials talk about switching Finnish-Soviet trade from a clearing to a so-called "escrow account."

This would mean that Helsinki paid dollars to such an account for Soviet oil. In return Moscow would pledge itself to shop first in Finland for manufactured products.

Helsinki also hopes that after 1990 a trade commission both countries could continue to exist and set out framework agreements for oil imports to Finland. More than 90 per cent of all Soviet barter trade with Finland is dealt in oil.

Finnish exports to the Soviet Union are expected to drop from 14.5 per cent of the export total in 1989 to around 10 per cent this year, falling to as much as 4-5 per cent if trade switches from semi-barter to hard currency. One Finnish official, however, said that if both countries could agree on establishing an escrow account, Finnish exports to the Soviet Union would drop to around 7-8 per cent.

French airline unions threaten stoppage

By William Dawkins in Paris

AIR FRANCE'S decision to close its most unprofitable routes has provoked a strike at Nice airport, and produced calls for a national stoppage by airline unions.

The 800 Nice-based staff of Air France, UTA, which flies to Africa and Asia, and Air Inter, the French internal airline, yesterday brought the airport to a near-standstill for the fourth day running.

Meanwhile, Air France's unions were meeting in the afternoon to decide whether to respond to a call by the state-owned airline's works council for a general strike, supported by the Communist-led CGT, as well as the more moderate FO white-collar union.

Nice, France's third largest airport, would lose seven international flights and is the hardest hit by the restructuring plans, which come in response to the sharp rise in fuel and insurance costs experienced by the airline industry as a whole. The strikers are calling for the plans to be shelved and for talks on the impact on the regional economy. Air France has had to cancel all its flights from Nice, though foreign carriers, representing a quarter of traffic originating there, have continued to run services. Air Inter has diverted some of its departures to nearby Toulon.

Romanian Communist party reborn

By Ariane Genillard in Bucharest

ROMANIA'S former Communist party re-emerged at the weekend, less than a year after the collapse of the Ceausescu regime, in the guise of the Socialist Labour party.

Mr Nicolai Balasoiu, founder and vice-president of the new party, said: "The Socialist Labour party has set itself to re-examine the values held by the former Communist party and uphold the positive ones. Specifically, I am referring to the discipline and serious work ethic which existed under Communist rule and is now lapsing."

The newly named party is based on the Romanian Socialist party, which, although created last February, has kept a low profile and played no part in last May's elections.

Romania's Communist party was never officially disbanded after last December's revolution. Officials from the then interim National Salvation Front (NSF) simply declared it had disappeared from the political scene.

The party, with 3.8m members, held the largest membership per capita of all east European countries.

The honorary president of the new party, Mr Constantin Pirvulescu, who is 95 years old, was a leading Communist figure until he was ousted in 1981 for accusing President Nicolae Ceausescu of discrediting the Romanian Communist party. The executive president, Mr Ilie Verdet, was premier under Ceausescu until 1982.

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Union tells Bulgarian PM to quit

BULGARIA'S independent trade union will call a general strike unless the Socialist prime minister and government resign within a week, union leader Mr Konstantin Trenchev said yesterday, Reuter reports from Sofia.

Mr Trenchev, a leading dissident who heads the 600,000-strong Podkrepa union, has joined opposition leaders in calls for the resignation of Mr Andrei Lukanov, the prime minister, and his two-month-old government.

"As from today we are ready for a strike and if Lukanov's government doesn't resign by Monday, the trade union Podkrepa will announce a general strike for political reasons," said Mr Trenchev.

Mr Lukanov's Socialist (formerly Communist) party swept to victory last June in Bulgaria's first free elections in four decades. But its popularity has waned amid economic stagnation and food and fuel shortages.

Mass street protests were held across the country at the weekend, demanding the resignation of Mr Lukanov and his one-party government.

Opposition leaders have said they will continue to organise protests until the government resigns. Mr Lukanov has said he will quit unless parliament approves an austerity budget on Thursday. However, he told Bulgarian television at the weekend that he would not be forced to resign.

Faroes election boosts Social Democrat party

THE Faroe Islands opposition Social Democratic party is expected to form the core of a new government, following parliamentary elections at the weekend, writes Hilary Barnes in Copenhagen.

The SDP won 10 of the 32 seats, three more than last time and its best result for many years.

The SDP will now seek to form a coalition.

For the past three years the islands, a self-governing province of Denmark, whose population is about 45,000, have been governed by a coalition of three non-Socialist parties, which collapsed That coalition broke up in October, after failing to agree on over emergency economic policy measures to combat a crisis symbolised by a foreign debt of DKr8.5bn ($1.4bn), which exceeds the islands' GDP.

INTERNATIONAL NEWS

Spain in poor state for single market

By Tom Burns in Madrid

OFFICIALS, businessmen and trade unionists debated yesterday on the opening day of a Financial Times business conference here the tough strains that Europe's single market will impose on a Spanish economy that is characterised by a weak export sector and a widespread lack of competitiveness.

Mr Jaime Echevarria, chairman of the food casings group Viscofan, which is one of the few domestic companies that trade successfully abroad, pointed out that Spain's reduced volume of exports had caused a widening trade gap that had made Spain's commercial deficit the highest among OECD nations in per capita terms and in relation to the gross national product.

The conference, organised jointly by the FT and the Madrid business newspaper Expansion, was told by Mr Rafael Garcia-Palentia of the EC's directorate-general for competition, that half the domestic GDP could be hurt by the post-1993 commercial framework of the single market.

He said Spain was handicapped by a strong domestic currency as it sought to raise its competitive level by acquiring technology and foreign distribution channels. The point was echoed by Mr Fernando Panizo, under-secretary of state at the Industry Ministry, who said the appreciation of the peseta over the past five years against EC currencies had depressed the competitiveness of Spanish companies by 15 to 20 per cent.

Mr Panizo said the total value of foreign companies acquired by Spanish businesses between September 1988 and September 1989 had been \$252m while over the same period foreign companies had acquired \$2.1bn worth of Spanish businesses.

The escalating purchases of domestic concerns prompted Mr Jose Maria Vizcaino, a leading steel manufacturer in the Basque country, to warn that Spain risked becoming a mere location for assembling manufactured units. "We will have production plants but we will have neither industries nor innovative and competitive businesses," he said.

Mr Antonio Gutierrez, leader of the Workers Commissions trade union confederation, blamed the lack of competitive of Spanish business on the constraints of a "failed" monetarist policy and on the inability of domestic companies to modernise their manufacturing processes when corporate profits were high between 1986 and 1988.

Mr Jaime Caravajal, chairman of Ford España, the domestic subsidiary of the US car maker, said the single market would bring about "an industrial revolution" in Spain and that Spanish companies face "extraordinary challenges" that were greater than those facing their European competitors. Mr Caravajal said an excessively strong peseta was harming certain sectors. He said domestic car component manufacturers had begun "in a clear way" to lose their competitive edge over British manufacturers and were even beginning look bad against their German counterparts.

Mr Tony Shaw, the chief executive of BP's Spanish subsidiary, said the traditional dominance exerted by the administration and by the public sector over Spanish business, had undermined competitiveness. "It must be agonising for the administration to be the first Spanish government that cuts back on its ambitions to direct national industry but it has no other choice for Spain's competitiveness is in question," he said.

Other factors that negatively affected Spanish business were surveyed by Professor Jurgen Donges of Cologne University, who stressed that Spanish companies were at a considerable disadvantage because of "the chronic deficiencies of the country's basic infrastructure". He criticised the domestic railway network, the postal and telephone services, the educational system and the industrial training programmes.

Mr Francisco Pinto Balsemao, former Portuguese prime minister, urged Spain and Portugal, which share problems such as excessive manpower in agriculture and low industrial productivity, to work together in order to "assure the continuity of EC structural funds assistance".

●THE MIDDLE EAST

Iran's milder ends force adoption of tougher means

Government by consensus is abandoned as radicals are ostracised, writes Scheherazade Daneshkhu

FOR only the second time, Iran's clerical leadership has abandoned government by consensus in favour of ostracising the more unruly of its members. The move marks the beginnings of the break-up of a decade-old system of government.

The first occasion was with the abrupt dismissal in May 1989 of the outspoken Ayatollah Montazeri, heir-designate to Ayatollah Khomeini, the Islamic Republic's spiritual leader until his death last year.

Now some of the men who most threaten the policies of Iran's pragmatic President Ali Akbar Hashemi Rafsanjani have not only been further marginalised but have had their religious credentials humiliatingly thrown back in their faces.

The catalyst was a bitter debate over elections in October to the 83-man Assembly of Experts, which chooses the country's spiritual leader. An apparently obscure theological issue was exploited to the full to provoke a rare showdown between rival groups over the division of power in the Islamic Republic.

Before the elections the government introduced changes in the type of qualifications for candidature to the Assembly of Experts including an exam to determine religious competence – a galling blow to the pride of the *hojatoleslams* who have been ruling the country in the name of Islam for more than a decade.

Protests against the changes reached such a pitch in the majlis (parliament) that the live broadcast was suddenly taken off air. Deputies accused President Rafsanjani and Ayatollah Ali Khamenei, the spiritual leader, of ruling by appointment rather than holding elections.

Those who failed the exam included the deputy speaker of the majlis, Mr Mehdi Karrubi, the powerful former interior minister, Mr Ali Akbar Mohtashemi, and MP Mr Sadeq Khalkhali, all of whom oppose the government on key policy issues and fall broadly under the umbrella of the radical faction. Others, such as former state prosecutor, Mr Mohammad Khoiniha, another radical, refused to take the exam and were automatically disqualified.

In the end, President Rafsanjani and Ayatollah Khamenei won the day, but repeated calls for a huge turnout at the elections resulted in attracting only 1.8m out of Tehran's 10m voting population. Throughout the country, well under half those eligible to vote turned out.

One of the most ominous consequences of the row for the government has been the challenge to Ayatollah Khamenei's authority, a problem that never arose when Ayatollah Khomeini was supreme leader. Some of the hardliners, long unhappy with the choice of Ayatollah Khamenei as successor instead of a three-man council, began to vent their feelings after the elections.

Mr Khalkhali said in the hardline-dominated majlis: "The revolution does not rely on one person. If at some point they martyr Ayatollah Khamenei, the revolution will not go under and is here to stay."

This provoked Ayatollah Khamenei into warning the majlis not to allow "a number of ignorant, careless, angry individuals" to threaten its reputation. "Remarks by some majlis deputies", said Ayatollah Khamenei, "did not sound like remarks made by one of us but by outsiders. Previously we had only heard such remarks made by Radio Israel and the Voice of America."

This showdown with the radicals and those who oppose the Khamenei-Rafsanjani alliance is unlikely to blow over easily, especially if the leadership decides to press on with further measures aimed at curbing the powers of its opponents.

Since its inception after the revolution of 1979, Iran's government has differed from its historical pattern of a one-man dictatorship. Groups opposed to the Islamic Republic have been ruthlessly eliminated yet, at the same time, the majlis has been an effective debating chamber, albeit within defined parameters.

The late Ayatollah Khomeini was the unquestioned authority but he exercised his monopoly on power passively, allowing men such as Mr Rafsanjani, then Speaker, and Mr Ali Akbar Mohtashemi a degree of power unimaginable in Saddam Hussein's Iraq, Hafez Assad's Syria or even the Shah's Iran.

Fearing division, Ayatollah Khomeini backed the different factions equally, leading to legislative deadlock or the execution of conflicting policies. He also resorted to forming new assemblies as a means of arbitration.

The Iranian government now suffers from a plethora of councils and assemblies with overlapping responsibilities. Different factions control the various ministries, again leading to conflicting policies.

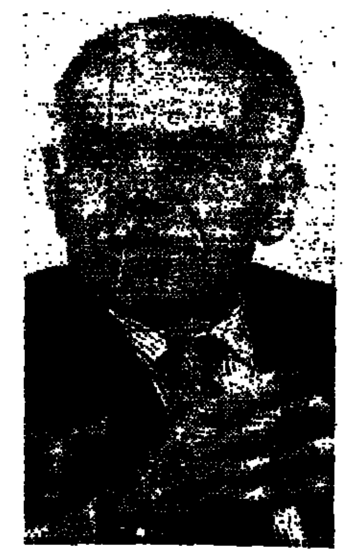
Mr Rafsanjani, who became president last year, understands all too well the dangers of this kind of stalemate. The end to the bloody and destructive war with Iraq and a burgeoning population (from 34m in 1979 to 55m today) has put enormous pressures on reconstructing the economy and creating jobs for the armies of unemployed.

Mr Rafsanjani has discreetly begun to reshape the image of a revolutionary Iran bent on changing international norms much to the dismay of the radicals. He is now emphasising the important constructive role Iran could play in the region, cleverly exploiting the unexpected avenues opened up by the Gulf crisis.

Despite an improved business climate, political uncertainty means that the dollar still trades for as much as 20 times its official rate against the rial.

Mr Rafsanjani and Ayatollah Khamenei know that taking on the radicals risks precisely the kind of infighting and inter-governmental split that Ayatollah Khomeini was at such pains to avoid. Efforts by the leadership to co-opt the respected Ayatollah Montazeri back into the system to increase its legitimacy have so far failed.

It is no small irony that Iran's emergence from its decade-long isolation and the implementation of policies welcomed by the west, may be dependent on moves which involve a return to a more authoritarian style of government.



Shamir: certain to upset US

Israeli PM reopens row over Soviet immigrants

By Hugh Carnegy in Jerusalem

MR Yitzhak Shamir, the Israeli prime minister, has re-opened the controversy over the issue of Soviet Jewish immigration and the occupied territories, saying lands captured by Israel in 1967 must be kept "for the sake of future generations, for the big *aliyah* (immigration) and for the Jewish people."

He denied that his statement implied that Soviet immigrants should be settled in the occupied territories – a possibility that has alarmed the Palestinians, Arab states and western governments.

The Palestine Liberation Organisation said yesterday that Mr Shamir's remarks were proof that Israel was pursuing a policy of colonialism.

"Shamir's statement is no more than an affirmation of this colonialist policy which violates international laws, the Geneva Conventions and resolutions of the United Nations," Mr Bassam Abu Sharif, political adviser to the PLO chairman, Mr Yassir Arafat, said in Tunis.

Mr Shamir's remarks on Sunday were reminiscent of an earlier speech in which he said a "big" Israel was needed to help accommodate "big" immigration. That speech sparked angry international protests and his latest remarks seemed certain to upset the US and its Arab allies in the Gulf crisis who are all anxious for the Israeli government to refrain from provocative statements and actions.

The Egyptian government yesterday demanded an explanation of Mr Shamir's words, which were sharply criticised by the Israeli opposition Labour Party.

Mr Shamir was addressing a memorial for past Likud leaders. He described the capture of the West Bank, Gaza Strip and the Golan Heights as a "liberation" and said his predecessors left a clear message that "Eretz Israel" from the Mediterranean Sea to the Jordan River must be kept.

Under strong pressure from Washington, Mr Shamir's right-wing coalition has given public pledges not to direct Soviet immigrants to the occupied territories. But ministers have made no secret of their commitment to further general Jewish settlement of the lands.

Iraqis to deploy 250,000 more troops in Kuwait

By Victor Mallet, Middle East Correspondent

IRAQ said yesterday it was sending about 250,000 extra men to Kuwait to deter the US-led multinational forces in Saudi Arabia from launching an attack to retake the emirate.

The Iraqi decision will bring the total number of troops deployed by both sides to well over 1m. It follows the announcement on Sunday that Iraq will free all foreign hostages between Christmas and March 25 – the three-month period most suitable for any allied assault.

President Saddam Hussein wants to avert a war by persuading the West than an attack would not only jeopardise the lives of the hostages but also cause heavy military casualties.

The official Iraqi News Agency (INA) said the reinforcements would include 150,000 reservists and seven divisions which would be mobilised immediately and sent to Kuwait. This will bring the Iraqi forces between Basra in southern Iraq and the Kuwaiti-Saudi frontier to more than 650,000.

INA said the decision was made by Mr Saddam and his generals in the belief that the US and its allies would need some 3m men to launch an attack, compared to the 500,000 plus already there or on the way.

"This takes the (Iraqi) superiority to its requested level and leaves no room for others to try to match it," INA said.

Western military analysts, however, point to the advantage of allied air power and dispute the need for massive numerical superiority.

Many of the Iraqi troops are conscripts, and yesterday Saudi Arabian officials said more than 300 Iraqi officers and soldiers, including medical personnel, had defected to the kingdom since Iraq invaded Kuwait on August 2. Other defectors have fled to Turkey.

President Saddam recently sacked Gen Nizar Khazraji, his chief-of-staff. Mr Amazia Baram, lecturer in Middle East history at Haifa University, has advanced the theory that Mr Saddam and Gen Khazraji had a professional dispute about the number of Iraqi troops in Kuwait.

Gen Khazraji, Dr Baram believes, warned the Iraqi leader even before the latest reinforcements that it was militarily risky to commit so many troops to Kuwait because the whole country would be vulnerable if they were defeated or cut off.

Mr Saddam, on the other hand, is fighting a skilful political battle with the Americans and seems to think that he can frighten them enough to avoid a conflict altogether.

Although Iraq has annexed Kuwait and publicly ruled out a withdrawal, it has repeatedly called for negotiations to resolve the Gulf crisis and suggested that it is prepared to make concessions.

The manipulation of the hostages has been an important part of Iraq's attempts to divide the international alliance ranged against it. Yesterday a group of Belgian members of parliament, who had been due to visit Baghdad to plead for the release of 37 Belgians, were told to wait following the unveiling of Mr Saddam's plan to free everyone from December 25.

Soldiers of the 505th US Parachute Infantry Regiment approach barbed wire during an exercise in the Saudi desert yesterday

Sanctions fail to hit Iraq's food supplies

By Lamis Andoni, recently in Baghdad

THE run-down two-storey villa in the Saadoun district, once the home of a Baghdad aristocrat, now houses four working class families. An old woman invites us into her two rooms and, with unconcealed pride, hurries to serve her guests with sweet tea and homemade bread.

"God willing we are going to survive this blockade. Remember we had long experience during the war with Iran," she says, looking at a framed painting of the Virgin Mary.

Umm Butros (the mother of Peter) belongs to Iraq's Christian minority. Her husband is a worker at a Baghdad hotel and her son is in the army.

It is families like these, the backbone of the Iraqi army and the bureaucracy, that President Saddam Hussein is trying to keep content by rationing staple foods.

Three months after the blockade began, the lives of ordinary Iraqis are increasingly austere, but western diplomats in the capital do not believe the sanctions will really start to affect consumer food supplies until March. "Then it will depend on the season's harvest," says one.

Iraq, which used to depend on food imports, has launched a campaign to grow grain and rice. Capital investment in agriculture now comes second only to military spending.

The food may hold out, but sanctions are already starting to have a severe impact on industry – which is likely to increase unemployment – and the government is working hard to preserve its powerful war machine.

Many factories have already closed, and although accurate figures are hard to obtain, western diplomats say output at mines and steel factories has fallen to a third of its previous level. Some plants have been ordered to reduce working hours to save raw materials. The country's main textile plant, for example, is reportedly functioning for only eight hours a week.

Such raw materials as can be found are often diverted to the army, to farms, to manufacturers of agricultural equipment or to food industries.

Convicted smugglers have been released from jail – "in a state of isolation smuggling has become a patriotic duty," says one businessman – but the restricted flow of spare parts and materials is unlikely to keep industry and the army going for ever.

The government's desire to keep the military apparatus functioning was the main reason behind the aborted and extremely unpopular week of fuel rationing. President Saddam had to sack Mr Issam Chalabi, the oil minister, who was one of his most efficient technocrats, because it was Mr Chalabi who announced the rationing in order to save additives used in the refining of crude oil.

The quality of Iraqi petrol appears to have deteriorated, although the best fuel is undoubtedly kept for the armed forces. Foreign military attachés based in Baghdad seem to agree that the Iraqi army could have enough fuel and spare parts to remain operational for a year, unless it becomes involved in a conflict.

"In general the army remains relatively insulated from the effects of the sanctions. They have the first call on whatever smuggled goods get into the country," says one diplomat.

Roh: Soviet trip will aid Korean ties

By John Ridding in Seoul

Roh: optimism over improved ties with China

MR Roh Tae Woo, South Korea's president, said yesterday that his visit to Moscow next month marks a turning point in the normalisation of relations between and North and South Korea.

"I am convinced that the visit will offer a crucial momentum for peace and stability on the Korean peninsula," he told members of the national assembly in his budget address, which was read by Mr Kang Young Hoon, the prime minister.

The national assembly resumed business yesterday after the opposition Party for Peace and Democracy ended a four-month boycott prompted by protest at the rapid passage of controversial legislation by the ruling Democratic Liberal Party. The current session is also expected to be turbulent, given the inclusion on the agenda of sensitive issues such as the passage of the budget for fiscal 1991 and the enactment of legislation necessary to implement local democracy.

Mr Roh's visit to the Soviet Union, which was announced last weekend, will be the first by a South Korean leader. It follows the establishment of relations between the two countries earlier this year.

In his address, Mr Roh also expressed optimism over the improvement of ties with China which, along with the Soviet Union, has been North Korea's staunchest ally. He said last month's agreement to exchange trade offices "has lifted Korean-Chinese ties one step higher and will help advance their normalisation".

Mr Roh forecast that the South Korean economy would grow 7 per cent next year, compared with a growth rate of between 8 and 9 per cent this year. He said an increase in oil prices due to the Gulf crisis and other economic problems would slow growth.

The president proposed a 1991 budget of \$38.2bn (£19.4bn), 19.8 per cent higher than in 1990. More money would be allotted to defence, construction, education and government workers' salaries.

W Australia to mount corruption inquiry

By Kevin Brown in Sydney

THE STATE government of Western Australia yesterday bowed to opposition pressure for an official inquiry into claims of corrupt links between politicians, bureaucrats and businessmen.

Mrs Carmen Lawrence, the Labor premier, said the inquiry would be carried out by a Royal Commission with extensive powers to examine government documents, including cabinet papers.

The terms of reference are similar to those of the Fitzgerald inquiry in Queensland, which revealed widespread corruption and mismanagement, and led to the defeat of the state's National Party government after two decades in power. Several former Queensland ministers now face charges, including former premier, Sir Joh Bjelke-Petersen.

Mrs Lawrence has resisted calls for an inquiry since taking over as Western Australia's premier at the beginning of the year, but her position has become increasingly difficult as further allegations have surfaced in recent weeks.

"I agonised over the decision, but confidence in the political process has been so severely undermined that I now believe the only way to restore that confidence is by a Royal Commission," she said.

Most of the allegations relate to the so-called W.A. Inc. period from 1987 to 1989, when state Labor governments led by Mr Brian Burke and Mr Peter Dowding sought to promote development in the state through a close relationship with local entrepreneurs.

Among other things, the policy led the state government into an attempted rescue of Mr Laurie Connell's failed Rothwells merchant bank and a joint venture with the Bond Corporation in a petrochemical plant which was never built. The cost has been put at A\$400m (£160m) by Mrs Lawrence, and at A\$900m by the state's conservative opposition.

Public unease over W.A. Inc helped to reduce the Labor vote at the last state election in 1989, and at the federal election in March, when Mr Bob Hawke's Labor government was returned for a record fourth time in spite of winning less votes than the opposition.

Evidence of serious corruption could further damage Labor at the next federal election, due by 1993.

However, Mrs Lawrence attempted to minimise electoral losses by asking the Royal Commission to investigate government activities from 1980 onwards, including periods when Labor was out of power.

■ Mr Connell and two other former directors of Rothwells were committed for trial in Perth yesterday on charges of falsifying the bank's annual accounts.

All three will plead not guilty at their trial in the WA Supreme Court in March.

A shack burns yesterday in Zonkwezizwe squatter camp after 19 residents were killed

Political violence surges in S Africa

TEN people on average are being killed every day in South Africa's worst political fighting in the country's history, the South African Institute of Race Relations said yesterday, Our Foreign Staff writes.

At the weekend 55 people were reported killed and the figure included the unexplained massacre on Sunday of 19 black men east of Johannesburg.

The institute said that 3,038 people had died in political clashes in the first 10 months of the year.

"The 1990 death toll is by far the grimmest ever," the institute said in a report on political violence that has claimed 8,577 lives around the country since September, 1984. A South African police spokeswoman, Mrs Ida van Zweel, said that the 19 men were found shot and hacked to death yesterday among the cardboard, tin and plastic shanties of the Zonkwezizwe squatter camp.

"There was no apparent motive for the killing," she said of the incident.

Police said at least 35 people had died in three weeks of fighting between Xhosa and Zulu tribespeople living in the squalid shanty settlement of Zonkwezizwe.

Patti Waldmeir writes: Some township residents said that Zonkwezizwe had been hit by fighting between pro-African National Congress (ANC) Xhosas and rival Zulus of the conservative Inkatha movement, but others said the clashes involved criminal gangs.

About 850 people have been killed since August in battles between supporters of Inkatha and the ANC.

The warfare had subsided in recent weeks after the government invoked sweeping security powers and imposed night-time curfews.

The weekend clashes raised fears that large-scale fighting might be about to resume, especially after thousands of armed Zulus rallied on Sunday in Soweto, the country's largest black township, chanting, "The Zulus are coming. Mandela clear the way."

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AMERICAN NEWS

Brazil launches diplomatic drive over loan delays

By Christina Lamb in Rio de Janeiro and Stephen Fidler in London

BRAZIL has launched a wide-ranging diplomatic offensive in an attempt to prevent its growing arrears to commercial banks being used to delay approval of loans from international financial institutions.

A \$2bn (£1.02bn) standby loan from the International Monetary Fund has been put back until progress is made in negotiations with the banks.

The US, supported by other prominent Group of Seven industrialised countries, is also looking to delay approval of loans from the World Bank and Inter-American Development Bank until some resolution to the arrears question is reached. Two World Bank loans for \$450m, which were scheduled to be announced last Thursday, have been delayed without explanation.

Ambassadors from G7 countries on the board of the IMF have been called in by the head of Brazil's Foreign Ministry who complained at what Brazil sees as the deliberate withholding of multilateral funds to pressure it to begin payments on its \$11bn arrears.

The ambassadors were told that such a linkage between commercial bank debt and loans from multilateral institutions had never before been made.

As negotiations reopened yesterday in New York between Mr Jorio Dauster, Brazil's chief debt negotiator and the 22-bank advisory committee, Brazil's top economic team began visits of G7 countries to try to secure their votes for the approval of pending loans.

Mr Ibrahim Eris, the central bank governor, flew to London after discussions with Mr Gerald Corrigan, president of the New York Federal Reserve, and with Mr David Mulford, US treasury under-secretary, in Washington. He will go on to France, Germany and Italy to meet central bank governors.

Meanwhile Mr Antonio Kandir, secretary for economic policy, is flying to Japan for the same reason.

Last Thursday Brazil's President Fernando Collor de Mello approved a new proposal to be presented to the creditor banks. This is thought to involve some payment of the \$8.3bn in arrears owed to private banks but far below the \$2.5bn asked for by the banks in negotiations earlier this month.

Brasilia continues to insist that it can pay no more than \$1.1 bn next year, but is becoming increasingly worried over the effect of its intransigence on holding up inflows of foreign funds vital for its modernisation programme.

Jamaica to clear \$90m of arrears under IMF deal

By Canute James in Kingston

JAMAICA will clear \$90m (£45.9m) of official arrears by the end of March, and will allow the island's commercial banks to clear a further \$157m in private sector arrears in the next 30 months, as part of an agreement reached recently between the government and the International Monetary Fund.

Earlier this month the fund agreed to reinstate a SDR102m (£74m) credit package which was suspended in March when the economy failed to meet agreed foreign reserves performance criteria. According to the government's letter of intent to the IMF, the economy will see an increase of \$97m in its foreign reserves by the end of March, when the credit agreement expires.

The Jamaican government has also undertaken to reduce its fiscal deficit for the current financial year to 3.5 per cent of gross domestic product from last year's 8 per cent, and to hold inflation for the year below 15 per cent.

William Bennett: seen as one of the Republican's brightest lights

Bush plans shake-up in top posts

By Lionel Barber in Washington

PRESIDENT George Bush will announce shortly several top appointments, including the surprise choice of Mr William Bennett as the new Republican national chairman, under a shake-up aimed at revitalising his administration.

Mr Bennett, who recently resigned as Mr Bush's "drug czar", is an ex-professor and former education secretary who was a registered Democrat until 1986.

Outspoken and combative, Mr Bennett is viewed as one of the conservative movement's brightest lights; but he has never been particularly close to President Bush and some suspect a pre-emptive White House strike to neutralise his appeal outside the administration.

In a second key appointment, Mr Bush will announce that Mr Bob Martinez, who lost his bid earlier this month to be re-elected governor of Florida, will succeed Mr Bennett as drug policy co-ordinator. A successor to Mrs Elizabeth Dole, who resigned recently as labour secretary, may also be announced. The White House would also like to move Mr Lauro Cavazos, the ineffective education secretary.

Despite widespread criticism both of the budget agreement and the Republicans' mediocre showing in mid-term elections, it appears Mr Bush intends to hold on to his two top political lieutenants, Mr John Sununu, White House chief of staff, and Mr Richard Darman, budget director.

The Republican party chairmanship is an important job which involves planning for the 1992 elections, raising money and picking the "cutting issues". It was held briefly by Mr Bush in the early 1970s, when President Nixon needed to "clean house" during the Watergate scandal.

The Republican party has run out of steam since Mr Ronald Reagan's departure from the presidency. Critics say Mr Bush's dropping of his "no new taxes" pledge, the fall of communism and the revival of the abortion rights movement, pulling women voters, have created an identity crisis within the party.

Mr Bennett's selection is widely credited to lobbying by Mr Sununu, who is said to have advised Mr Bush that the Republicans needed "a good attack dog" to take on the Democrats. Other candidates interested in the job were Mr Robert Mosbacher, commerce secretary, and Mr Samuel Skinner, transportation secretary.

Mr Lee Atwater, who has an inoperable brain tumour, is the current party chairman. Best known for leading Mr Bush's successful 1988 presidential election campaign, Mr Atwater voiced interest in serving his remaining two years but is likely to be given the ceremonial post of "general chairman".

Ruling cheers Vancouver exchange

By Bernard Simon in Toronto

MANY Vancouver Stock Exchange investors are breathing a sigh of relief with the partial exoneration of Mr Murray Pezim, the exchange's best-known promoter, on charges of insider trading and other breaches of securities rules.

The British Columbia Securities Commission has found that Mr Pezim and two associates failed to comply with securities regulations but had no fraudulent intent in share dealings last year involving the newly-discovered Eskay Creek gold deposit in northern British Columbia.

The commission will decide later what penalties, if any, it will impose on the three men.

The province's superintendent of brokers alleged that the trio knowingly withheld key information on Eskay Creek from investors, while they were trading shares in companies involved in exploiting the deposit.

The two companies in question, Prime Resources Corp and Calpine Resources, were the most heavily traded shares on the exchange when excitement over the Eskay Creek discovery was at a peak last year.

Senior Chamorro ministers face challenge

By Tim Coone in Managua

THE government of Nicaragua's President Violeta Barrios de Chamorro sank deeper into crisis yesterday, after Mr Virgilio Godoy, vice-president, and Mr Arnoldo Aleman, mayor of Managua, declared their support for a right-wing opposition movement which seeks to oust her senior cabinet ministers.

The movement is demanding the sacking of Mr Antonio Lacayo, minister of the presidency and President Chamorro's son-in-law, Mr Carlos Hurtado, the interior minister, and General Humberto Ortega, head of the armed forces. The men are accused of blocking the ruling UNO alliance's political programmes.

UNO is the 14-party alliance which defeated the Sandinista party in last February's general elections, but which has since split into two blocks – one centrist, the other hard-line right-wing.

At the weekend troops backed by armoured cars were used to clear barricades along the 300km road linking the country's Pacific and Caribbean coasts. The barriers had been set up two weeks ago by an organisation of dissident mayors within the UNO alliance, backed by former Contra rebels. House-to-house searches were carried out for weapons in some areas, without apparent success.

The former Contras are also demanding a more rapid distribution of farming land to their 20,000 troops and supporters that handed in weapons last June.

During weekend talks President Chamorro promised to accelerate the land distribution programme but refused to consider cabinet changes. The mayors have now threatened to spread their protest throughout the country and have been encouraged by Mr Aleman's public endorsement of their movement.

Debt 'threatens Nicaraguan democracy'

By Kenneth Warn

MR Enrique Dreyfus, Nicaragua's foreign minister, has warned that progress on the country's debt problem is essential to the survival of the country's fledgling democracy and to the economic recovery of Central America.

Mr Dreyfus is spearheading an international drive aimed at raising funds to pay off Nicaragua's estimated \$350m (£178.5m) in arrears on multilateral debt, divided between the World Bank and the Inter-American Development Bank. Nicaragua has been denied access to future support until it can clear its arrears with both institutions.

Speaking in London in advance of talks with Mr Tristan Garel-Jones, a UK Foreign Office minister, Mr Dreyfus urged potential donors to make a "one shot contribution," in the form of donations or credits, to help clear arrears.

A meeting is to be held in Paris on December 3 and 4 hosted by the World Bank and bringing together the IADB, the International Monetary Fund and potential donors.

At a similar meeting in Rome in June, aimed at raising funds for an emergency programme to revive an economy shattered by eight years of civil war, offers of assistance fell short of Nicaragua's expectations.

Mr Dreyfus said his latest initiative had met a good response from the Nordic countries, but they were looking for a lead from the principal indus trialised countries at the Paris meeting.

The government of Mrs Violeta Barrios de Chamorro, which came to power in April after winning UN-supervised elections, inherited debts totalling almost \$10bn from the former Sandinista regime.

The US is gradually disbursing a \$350m aid package for Nicaragua, of which \$50m has been earmarked to help pay off the multilateral arrears, leaving a \$300m gap to be bridged.

Mr Dreyfus stressed the urgency of clearing the arrears and unlocking new financing, particularly from the IADB.

Violeta Chamorro: inherited debts totalling almost \$10bn

US farmers head field over Soviet food aid

By Nancy Dunne in Washington

PRESIDENT George Bush is apparently willing to offer humanitarian food aid to the Soviet Union to stave off disaster in the disintegrating economy – but American farmers are way in front.

A midwestern farmer has offered 1,000 tonnes of grain from his own silo, and others are expected to follow.

US farm groups have been lobbying for months for government credit for agriculture sales to Moscow. Mr Kent Van Amburg, manager of trade relations for the US Feed Grains Council, is pushing for \$600m (£306.1m) "just to get started".

The US farm lobby is growing anxious and yesterday held a press conference in Kansas City "to get the support of the American people".

Soviet farmers had been forced to slaughter livestock because of feed shortages, Mr Van Amburg said. At the same time the US maize market was stagnating because Soviet business had fallen dramatically. Sales to Moscow this year have slumped to 400,000 tonnes, from 6.2m tonnes at this time last year.

"Competitors all over the world are giving them [the Soviet Union] credits," Mr Van Amburg said. "If there is one lesson we've learned from past embargoes, it is the many years it takes to recover from a market loss."

President Bush has responded with an export credit version of his "read my lips" tax pledge. He has repeatedly held to his earlier line that the Soviet Union must first codify an immigration reform law which has long awaiting passage through the Supreme Soviet but which is evidently low on the list of priorities.

After passage, Most Favoured Nation trade status and export financing from the US Export-Import Bank and the Agriculture Department would be forthcoming. The president took this line last week when he was visited by two members of the Supreme Soviet who came to the US seeking credits.

WORLD TRADE NEWS

Farm reform key to successful Round, Hawke tells EC

By Kevin Brown in Sydney

MR BOB Hawke, the Australian Prime Minister, yesterday wrote to the 12 European Community heads of government warning that the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) would fail unless the Community accepted significant liberalisation of agricultural trade.

The letter is intended to increase international pressure on the Community to modify its opposition to deep cuts in subsidies and protection, which are being sought by the US and the Australian-led Cairns Group of 14 agricultural exporting nations.

Mr Hawke said he had told the European leaders he was deeply concerned about the future of the talks and had asked them to exert their political muscle to achieve a compromise at the final ministerial meeting in the Round, which begins in Brussels on December 3.

He understood the internal pressures on EC governments which made it difficult to reduce agricultural support, but urged the Community to recognise the benefits of trade liberalisation to consumers and taxpayers. The failure of the Round would mean the start of a slide into protectionism, and the loss of an opportunity to increase world growth, break the developing country debt-cycle, increase global food production and underpin the economic and political renewal of eastern Europe.

"The Europeans of today seem to have forgotten what the founders of Gatt knew from their own terrible experience of the 1930s, that protectionism is not just an economic disease but a potential source of political friction and conflict."

Mr Hawke's comments follow warnings from other Cairns Group members that agreement on agriculture is the key to a successful conclusion of the Round.

Australia has distanced itself from suggestions that the Cairns Group might withdraw from the negotiations unless the Europeans tabled a better offer. Mr Hawke said there was "merit" in a heads-of-government meeting if the ministerial meeting failed to break the deadlock.

The Cairns Group accounts for about a third of world agricultural production. It is seeking a 75 per cent cut in producer subsidies and protective tariffs, and a 90 per cent reduction in export support payments. The US has made broadly similar proposals to Gatt, but the EC has suggested an overall reduction in subsidies of 30 per cent.

Quietly, Japan moves to lift rice import ban

Politicians work behind scenes on area of once loud disagreement, says **Robert Thomson**

WHILE the US and the European Community exchange blows over agricultural trade policy, a consensus has quietly built within the Japanese government that the ban on rice imports will be lifted as part of an agreement in the Uruguay Round of trade talks.

Rice is the most unpalatable issue confronting Japanese negotiators in the multilateral negotiations under the General Agreement on Tariffs and Trade. They are prepared for quick decisions on other outstanding issues, such as investment regulations and intellectual property, but are relying on politicians to take the lead in reforming the rice market.

Reaching agreement on controversial policies in Japan has traditionally taken long and painful public debate and a few private political deals. But, on rice, Japanese politicians have generally avoided public discussion in recent weeks, and farmers' groups have been relatively quiet. The recent very public debate over sending non-combat forces to the Gulf has been a distraction, but the past impassioned pleas about the sanctity of rice and the threat of starvation are now almost inaudible.

There are still hopes within the Agriculture Ministry that the continuing EC-US dispute over food subsidies will allow the ban to remain untouched, but it is expected that Tokyo will set a short-term import target of around 3 per cent of consumption, with vague promises of further increases.

Government officials have privately indicated to farmers' groups that they will be compensated, as a small amount of imports are necessary for the greater good of Japan's trade relations, in particular those with the US.

A government official admitted that "we have nothing to gain by discussing rice – it's just too emotional". So, with knowing nods, a strategy of silence has been adopted.

The decision is likely to be taken by factional heads of the ruling Liberal Democratic Party in the dying days of Gatt debate, when there is less room for a passionate and divisive debate within Japan.

Mr Toshiki Kaifu, the prime minister, who comes from a weak faction and relies on the support of other factions, is set to take the blame if the expected reform goes politically wrong. It is understood that factional heads have agreed to let public reaction on rice partly determine the length of Mr Kaifu's tenure.

Japanese officials presume that agreement will eventually be reached between the EC and the US and that attention will again turn to Tokyo. They also are certain that a final package of some form will be stitched together.

"People talk about a collapse of the world trading system, but we don't see that at all," a Ministry of International Trade and Industry (Miti) official said. "If you can't get agreement in agriculture, that doesn't mean we have to abandon the other 14 Uruguay Round areas where we have made gains. Maybe there will be arguments and delays, but not a collapse."

In expectation of a need for quick decisions, the Finance Ministry has established an inter-ministerial panel to oversee settlements of issues that fall within the jurisdiction of differing ministries. Informal talks are being held this week, and ministers will be able to meet at short notice to deliver formal judgments.

Japan's suggested reform of its agriculture is for a 30 per cent cut in farm support, using 1986 as the base year, with a 26.6 per cent cut in cereal subsidies. As Japan's cereals support level has already fallen by 21.2 per cent since 1986, a further reduction of only 5.4 percentage points is required over the next six years.

The US has demanded that Japan import 3 per cent of its rice needs in 1991, increasing the level to 5.25 per cent in 10 years, and then replacing the quotas with tariffs of 50 per cent. Japan's eventual offer will be less generous, but the quantity is less important than the symbolism.

GATT

The Gulf crisis has prompted Washington to go easy on the rice rhetoric, though Mr Clayton Yeutter, the US agriculture secretary, has been given the impression that a concession will be made, and Washington will be angered if rice policy becomes another victim of Japan's convoluted political process.

The decision rests with the LDP factional leaders, who have tried to convince farmers' groups that only the Japan Socialist Party, the leading opposition party, would benefit from a bruising debate similar to that which preceded the lifting of restrictions on beef and citrus imports two years ago.

Several LDP politicians have made public comments on the necessity of opening the rice market, but party branches have been encouraged to avoid the issue.

Mr Toshio Yamaguchi, chairman of an LDP economic reform committee, suggested in July that up to 5 per cent of rice needs could be imported, while Komeito, the second largest opposition party, has been reviewing its opposition to rice imports.

Miti officials expect that final papers could be prepared on trade-related investment measures and intellectual property issues "within 24 to 48 hours", if the agriculture issue is solved.

"We are quite happy with negotiations on investment measures. There are a few matters that need political decisions, but I think the result could be quite close to our suggestions. The two basic issues are requirements for export performance and local content levels," a Miti official said.

The head of Miti's tariff division has been in Geneva for two months, and Japan is confident that agreement will be reached on tightening regulations to ensure that anti-dumping action is not arbitrarily taken by Gatt members.

"We are still arguing about the Gattability of intellectual property. We have got to decide how it will fit in the Gatt framework."

Israeli air group in conversion contract

ISRAEL Aircraft Industrie (IAI), the state-owned aviatio group, is to convert 10 Boein B747-100 jumbo jet aircraf from passenger to cargo us for Electra Aviation, a UK air craft leasing operator.

The contract, for which n value has been revealed, is th biggest IAI has so far won i its efforts to shift from reli ance on military products t civilian projects.

With annual turnover o $1.25bn (£630,000), IAI strug gled back into profit last yea following losses after cancella tion of the Israeli Lavi jet fighter programme and sag ging arms-markets demand.

Electra has ordered the con version over five years of 1 jumbos it has acquired fron Air France. It intends t become a lead-player in th rapidly-growing air cargo mar ket.

To date, IAI's main contrac has been to convert two B747 200s for Lufthansa. Jumb cargo conversion will becom IAI's major commercial proj ect. IAI is also seeking to buil up other aircraft refurbishin business. Talks are advance on a joint project with th Soviet Union, with US input to equip Soviet commercial je airframes with US engines fo the cargo market.

Deadlines to be sought for textiles programme soon

By William Dullforce in Geneva

TRADE ministers will be asked to add the crucial time-span and deadlines to a programme for liberalising the $180bn (£91.8bn) a year world trade in textiles and clothing, when they meet in Brussels in two weeks.

The figures would determine the length of the transitional period and the pace of liberalisation. The ministers will also have to fix conditions under which governments can resort to emergency safeguard action to defend their domestic industries during the transition.

If the ministers can resolve these outstanding issues, one of the most important aims of the Uruguay Round, the elimination of the protective Multi-Fibre Arrangement (MFA), which has governed trade in textiles products for the past 30 years, can now be realised.

Mr Lindsay Duthie, chairman of the group negotiating on textiles products, will present the ministers with the draft text of an agreement he produced at the weekend.

The draft provided the basis "on which negotiations can be finalised at a higher level," Mr Duthie said after negotiators had agreed they could carry their discussions no further.

The Duthie text contains all the basic elements of a liberalising programme. It also incorporates a vital choice, in that it omits the global quotas which the US and Canada wanted to use in the transitional mechanism.

Trade in textiles would be integrated into the General Agreement on Tariffs and Trade within a given number of years from January 1, 1992. The options vary from the 6½ years called for by developing-country exporters to the 15 years sought by the European Community. The ministers could well settle on a 10-year transition.

From the beginning of 1992, each country would bring under Gatt rules a given percentage of the total volume of the imports it effected under bilaterally-negotiated MFA quotas in 1990. Mr Duthie suggests 10 per cent.

The remaining products would be integrated into Gatt in three stages. The trade ministers have to fix the timing and volume of products for each stage. They will also decide increases in the sizes of the remaining quotas at the three stages.

Governments in importing countries could introduce safeguard measures on a country-by-country basis but would have to demonstrate that serious damage to domestic producers was being caused by increased imports, not by technological advances or by changes in consumer preferences.

Safeguard action would be watched closely by the standing Textiles Monitoring Body, comprising a chairman and 10 members, to be set up to supervise implementing the agreement.

Ministers will have to resolve differences over the number of years which safeguard measures can stay in place and over demands for lenient treatment for Third World and smaller exporters.

Developing countries would agree to improve access to their markets for textiles products and to apply fair and equitable rules in such areas as dumping and anti-dumping, subsidies and protection for intellectual property rights.

Ghost of Spanish battle haunts transatlantic trade

By Nancy Dunne in Washington

AS THE US and EC slug away over agriculture in the Uruguay Round, bilateral trade disputes are emerging, as if to stress that the alternative to farm trade reform is debilitating trade friction.

The US is already threatening retaliation against $400m (£204m) in EC meat exports, over the Community's ban on US pork and beef imports.

Now the ghost of another trade battle is haunting transatlantic trade: the revival of an old clash over compensation to be paid for US feed grain markets lost when Spain joined the EC. The row threatens another $420m in US sanctions against EC products.

According to US estimates, before 1987 Spain was buying 4m-5m tonnes of American feed grains annually, a market to be lost with its accession to the Community.

After US pressure and threats of retaliation, agreement was struck to provide for annual Spanish purchases of 2.3m tonnes of foreign feed grains, with most of the sales going to the US.

Since then, the EC has largely honoured that commitment, although purchases have been later than agreed and at times during the year when prices are low.

But US officials want continued compensation for markets they consider permanently lost. The European Commission believes that four years of concessions is enough.

Mr Julius Katz, Deputy US Trade Representative, wrote to the Commission last week saying the US was prepared to renegotiate the agreement or extend it a year. "The one outcome we cannot accept is to let the agreement lapse, and with it, concrete compensation which is owed the US."

Mr Horst Krenzler, the Commission's director-general for external relations, replied: "We do not see any merit or justification in the idea of extending the concessions granted under the present agreement for a further year." He wondered that the US "would contemplate steps which would raise the temperature between us, just when we are trying to put the Uruguay Round package together."

But the Bush Administration is brooking no delay. With the four-year pact to lapse on December 31, it has decided to notify the Gatt on December 1 of plans to place 200 per cent levies on $420m-worth of EC exports.

CHALLENGE TO THATCHER

Election countdown begins for Conservative party

By Philip Stephens, Political Editor

THE Tory MPs who hold Mrs Margaret Thatcher's fate – and the keys to Downing Street – in their hands will begin filing in to Committee Room 12 of the House of Commons at 11am today.

With Mr Cranley Onslow orchestrating the proceedings from a raised oak table spanning the length of one end of the room, each MP will be given a simple white ballot paper with two printed names - Michael Heseltine and Margaret Thatcher.

Mr Onslow, the chairman of the 1922 committee of backbench MPs, will be flanked by three scrutineers – including Sir Bernard Braine, the father of the House of Commons (the most senior politician among present MPs) – as each MP signs for a ballot paper.

Some, entrusted with the proxy votes of absent colleagues, will take two papers.

Mr George Younger, the former defence secretary and Mrs Thatcher's campaign manager, is expected to cast the prime minister's vote on her behalf while she waits anxiously for news of the result at the Conference on Security and Co-operation in Europe (CSCE) in Paris.

Others have instructed friends, and in some cases, Mr Onslow, on their preferred choice. Perhaps 350 or so will of the 372 eligible to vote will arrive in person, a handful deciding on positive abstention.

Committee Room 12, panelled in the light oak which decorates many of the offices and corridors of the Palace of Westminster, is on other occasions one of the "working" rooms of the nation's legislators.

Long tables, placed in front of rows of straight-backed chairs covered in green leather, run its length. Faded tapestries depicting some long distant medieval conflict – no-one yesterday seemed quite sure which – cover its walls. A large, distinctly modern, fan hangs from the ceiling, competing for space with a clutch of garish, gold-coloured chandeliers.

On most days it is occupied by the cross-party committees of MPs who examine the each piece of proposed legislation. Their words are recorded for posterity by the forest of microphones suspended from above.

Tomorrow the microphones will be switched off as the Conservative Party's electors choose their leader. Unlike on committee days, there will be no policeman standing in the corner to ensure that no-one disrupts the work of our lawmakers.

It is a secret ballot but there are no polling booths. Those who wish to retain their privacy will have to move to one of the benches before placing their mark – on senior Tory MP said yesterday that a tick was preferable to a cross – next to their choice.

Many of Mrs Thatcher's most ardent supporters will elect to forsake the right to privacy – marking their papers directly in front of Mr Onslow.

If last year contest's between Mrs Thatcher and Sir Anthony Meyer is any guide some will arrive well before eleven to be the first to cast their vote.

Sir Nicholas Fairburn, the flamboyant MP for Perth and Kinross in Scotland, is tipped to be at the head of the queue.

He was when the prime minister defeated, Mr Edward Heath the former Tory leader, in 1975 and maintained his record in 1989.

The tension will rise around 6pm. It is then that the polls close. Mr Onslow and his helpers will count the votes. At around 6.25pm the electorate will be invited to hear the result. Within seconds it will be relayed to the hordes of political journalists waiting outside.

Mrs Thatcher has to get 51 per cent of the vote and 56 more votes than Mr Heseltine to win outright on the first ballot.

The number of abstentions could have crucial impact on the result, but Mr Heseltine needs to secure 159 votes to be certain of forcing a second round, Mrs Thatcher 214 votes to be sure of stopping one.

Mr Heseltine will know his fate instantly. The prime minister will have to wait longer for the result to be flashed via an open line from Downing Street to the British embassy in Paris.

If no winner emerges on the first ballot, a second ballot would be held in which others can enter. In the second ballot, which would be held on November 27, the winner needs overall majority of those entitled to vote – 187 votes – to win.

If again there is no outright winner, the three candidates receiving the highest number of votes would take part in a final ballot decided under the transferable voting system.

Margaret Thatcher declines to start her memoirs in France

By Ralph Atkins in Paris

"Oh, I think I will be remembered for a lot more than that," Mrs Margaret Thatcher exclaimed at the British embassy residence in Paris yesterday.

The prime minister had been asked if her part in the conventional forces in Europe (CFE) treaty, signed that morning, was how she would like to be remembered. Sensing the trap she quickly reverted to the attack: "It is not time to write memoirs yet."

The Conservative leadership contest has spoilt Mrs Margaret Thatcher's bonhomie at the French-hosted conference on security and co-operation in Europe. She was forced to insist she would still be prime minister at the weekend and to deny she was under pressure.

"I most earnestly believe that I shall still be in Number 10 Downing Street at the end of the week, and a little bit longer than that," she said at her press conference. It was not a vintage, Churchill-style, Mrs Thatcher.

Nor was it a knock-about, combative Thatcher. The prime minister was in world-statesperson mode in which a sense of gravitas on international affairs becomes juxtaposed with a serene, calm outlook on her political future.

Was she annoyed at the domestic distraction to her role on the world stage ? "No, I don't feel sore. I'm just glad that we have got to a stage where we can sign this agreement among 22 countries. It is very good evidence of the marvellous work that this government has done in co-operation with others."

She was asked if the leadership contest had put her under strain at conference meetings. "Not in any way. I have been carrying on international negotiations for eleven and a half years. It is not a strain. It is almost an everyday occurance."

Earlier, she had been indulging in the everyday activities of states-people with vigour. Breakfast with US President Bush was followed by questions from the press.

She had only time for one on the leadership: "Are you going to survive?" a journalist asked. "I most earnestly believe so," Mrs Thatcher said.

Then she dashed off, saying "mere heads of government have to get to the conference before heads of state". An abandonned President Bush refused to be drawn too far. "I stay out of all of this, but we have superb relationship with Mrs Thatcher," he said.

"It is indeed a special relationship and far be it from me to figure out the internal politics of a party in the United Kingdom."

At the CFE treaty ceremony at the Elyseé palace, Mrs Thatcher was unfazed by yet another signing of the sort that is the daily bread of statespeople – albeit one attended by 22 nations and marking the end of the Cold War.

Lunch, at which the prime minister was placed next door but one to President Gorbachev was followed by the opening session of the CSCE conference.

Her night was filled by discussions with the UN secretary general Mr Peres de Cuellar and a dinner-date with Chancellor Helmut Kohl of Germany.

When the leadership contest result is announced tonight she will be at the British embassy preparing for a ballet followed by dinner at the Palace of Versailles.

Yesterday jokes about dying swans were considered in poor taste.

'Men in grey suits' wait in the wings to cast a final vote

By Alison Smith

IN SPITE OF the formal mechanism of the Tories' leadership election, party legend still favours the "men in grey suits", whose job it would be to tell the prime minister that in the interests of the party, the time had come for her to go.

Even if Mrs Thatcher wins the contest outright on today's first ballot, some Tory MPs still believe that the delegation may need to give her her notice within the next few months.

The key person in carrying out this delicate task would be Mr Cranley Onslow, chairman of the 1922 committee made up of all the Tory mps outside the cabinet. Mr Onslow has been on the 1922 executive for nine years, and has been its chairman since 1984.

Not a plotter like Sir Edward du Cann, his predecessor, he has been loyal to the prime minister, even during the dark days of the Westland affair in 1986, when she herself is said to have wondered whether she would survive. His duty to the party would mean he had to tell her if she lost a critical level of support among the parliamentary party.

Mr Tim Renton, the chief whip – responsible for disciplining Tory mps – would almost certainly accompany Mr Onslow on such a mission. Though the whips' office is formally neutral in the leadership contest, Mr Renton would have to warn the prime minister that she did not command the support of the majority of MPs on the government side.

An affable rather than a strict figure, Mr Renton himself has been chief whip for only just over a year, after the reshuffle following Mr Nigel Lawson's resignation.

Since there seem few firm rules about such matters – not least because it is so long since the question has arisen – it would be for Mr Onslow and Mr Renton to decide whom they wanted to accompany them.

Anyone asked to add their weight to the discussion would be approached on the basis that they combined having been loyal to the prime minister through past difficulties, and possessing some independent authority in the party.

Top of the list would almost certainly be Lord Whitelaw. Though he left the government early in 1988, he is still a major influence in the party, and is close to the prime minister.

His loyalty to her since she beat him in the 1975 leadership contest has been consistent, and he spoke in her support once the contest was officially open. If he told her that she should go, it would be hard for her to ignore his words.

Another figure in the Whitelaw mould, is Mr George Younger. Having served in her cabinet until 1988, and acted as her campaign manager both this year and last, his loyalty is not in doubt.

But perhaps more important than whatever any party delegation might say would be the views of Mr Denis Thatcher.

He is believed to be angry at the way in which the party has turned on Mrs Thatcher with a leadership challenge. If she looked likely to face humiliation and further divisions, he might well advise that such ungrateful colleagues did not deserve her, and she should leave them to it.

All this speculation at Westminster could die away if Mrs Thatcher wins by a convincing enough margin this evening. But it is a measure of the new mood among Tory MPs that for the first time in hypotheses about who would actually hand her the pearl-handled revolver to do the decent thing, the talk is not that the prime minister would shoot the delegation.

Michael Heseltine appeals for calm outside parliament as photographers close in for an impromptu photocall

History weighs heavily on the palace by the Thames

By Ivo Dawnay, Political Correspondent

AT an expensive restaurant well within the division bell district of Westminster a young Tory MP of centrist tendencies was lunching yesterday with a decidedly dry banker friend.

"Well, there's no question about it," said the banker, "she's got to go. She's well past her 'Sell-by' date and, frankly, she should have gone years ago."

"Its just not as simple as that,"the MP replied. "I find it extremely difficult to vote against a sitting prime minister especially one who has won three general elections - there is such a thing as loyalty."

"Your first loyalty," the banker replied sharply, "is to the party - and that means winning the next election."

If its sentiment you are looking for, it was in relatively short supply in the Houses of Parliament yesterday as the Tory leadership race entered its last 24 hours,

After a weekend battering from their constituency parties - the lions' share rampantly loyalist - many Conservative MPs seemed relieved yesterday to be back in the Victorian Gothic world of Westminster *real politik*.

"I reminded a constituency chairman at the weekend that his predecessor had resigned in 1975 because the sitting MP had voted for Thatcher," one MP confided.

Another reported that after taking elaborate votes at his association meeting, the committee had concluded: first, that he should support Mrs Thatcher and, second, that any other party leader would stand a better chance of winning the next election.

"In the end, one chap came up to me and simply said 'you make up your own mind - but vote for survival'," he said.

Nonetheless, the atmosphere at the Commons was a combination of heartfelt anxiety and high, nervous excitement among the 372 Tory MPs now charged with writing the next few paragraphs in history.

For an electorate so conscious of status, preferment and promotion, the thought that it now must decide the fate of the woman who had so often decided their own sends terrified thrills down the collective spine.

Among some of the rebels, the predominant emotion seems similar to that of a cowed class of schoolboys that has finally summoned up the courage to leave a booby-trap for their disciplinarian teacher - safe in the knowledge that the culprits can never be identified.

"Two of us were being lectured by an old Thatcherite in the tearoom," one of the 1987 intake recalled, "and though we nodded sagely at the time, when we left we both burst out giggling, saying - 'well, rubbish to that'." Nonetheless, the same MP admitted that the weight of responsibility - the sense of making history - is a heavy and ever present burden. Away from the main lobbies, in the musty stairwells and foot-worn corridors there is a genuine agonising too.

"Of course, she has to go sometime," said one waverer. "But it seems a bit much to do it like this. Many of us owe her our seats. Are we now going to stab her in the back?"

"Loyalty is a two way street," said a less sentimental colleague. "How much has she listened to the party in the last few years?"

With that said Sir Geoffrey Howe's volcanic resignation speech last week has summoned up ancient ghosts, echoing Leo Amery's savage 1940 indictment of Neville Chamberlain when he salvaged Oliver Cromwell's words to the Rump Parliament - "in God's name, go."

Since Sir Geoffrey sat down, historians have been dredging their tomes for suitable parallels to Mrs Thatcher's plight. Dr Peter Clarke, Reader in Modern History at Cambridge, favours Neville Chamberlain's resignation as the closest.

Both prime ministers had an iron grip on the party, he reflects. Chamberlain also had a reputation with his critics for autocratic behaviour in cabinet, a tendency to intervene in every department and a habit of showing up ministers in front of their civil servants.

But if, the comparison is fair it ends there. Chamberlain, Dr Clarke pointed out, went during a world war. "What is remarkable is that the Prime Minister - the most successful leader this century - should find herself in her current situation."

It is perfectly possible that Mrs Thatcher will comfortably survive today's vote. But not even a landslide can suppress the realisation within the party that her political shelf-life is now in question.

Even diehard loyalists would admit as much yesterday. "It is now not a question of whether," said one, "but a question of when?"

Drama is as familiar to the Commons as it is to Drury Lane - and to some quite as tiresome. As the 372-member jury completed their deliberations on Mrs Thatcher's career and on Mr Heseltine's future prospects, the simultaneous sense of both continuity and change seemed largely uncontradictory.

Periwigged clerks and tail-coated doorkeepers went about their business, and the same noxious odours seeped from the canteens.

Whatever the outcome of this week's events, there will still be subsidised Federation Ale in the Commons' bars and angry constituents seeking MPs with urgent complaints about their lcoal drains.

FINANCIAL MARKETS

City of London stands back from election fever

By Peter Norman and Edward Balls

LONDON'S financial markets yesterday stood back from election fever in the Conservative party and focused instead on technical factors and economic fundamentals.

Confusion and uncertainty are normally considered poison for the pound, equities and gilts and many analysts went to work yesterday fully expecting prices to collapse on signs over the weekend that Mr Michael Heseltine's leadership bandwagon was gathering pace.

But yesterday, to general surprise, sterling strengthened by 1½ pfennigs against the Deutsche mark, shares jumped and gilt prices advanced in spite of a narrowing of bookmakers odds against Mr Heseltine.

Some analysts, such as Mr Peter Spencer, UK economist of Shearson Lehman Brothers, gave up searching for a rational explanation of events.

"It is almost as difficult to read the markets as to understand the polling system for leader of the party," he said.

All agreed, however, that a clear-cut result today would be a great relief for the markets.

The current uncertainty is distracting for domestic investors and positively bewildering for foreign investors. The worst result would be a hung-contest, carried over to the second round.

Reasons for yesterday's relatively robust market performance ranged from the cynical to the technical. Mr Andrew Smith, an economist with stockbrokers Laing & Cruickshank, argued that the 27.9 point rise in the FT-SE 100 index to 2,095.9 on a volume of 400m shares partly reflected a shortage of stock.

In addition, he said the stock market now was looking ahead to the next general election. On that basis, the government could be expected to do whatever it could to curry favour with the electorate irrespective of who would be Conservative leader.

Yesterday's news of a 1 per cent decline in third quarter gross domestic product was a reminder that lower interest rates would stay on the government's wish list of policies.

The pressure for an eventual rate cut was reflected on the money market where three month money was quoted around 13⅝ per cent against 13⅞ per cent at last Friday's close.

At Warburg Securities, Mr George Hodgson, the company's equity strategist, said that worries about the legal status of stock lending transactions had spurred some buying.

The practice of lending shares and gilts, which normally gives depth to the market, has been cast into doubt by recent legal advice over the validity of collateral in stock lending transactions.

News that the Bank of England has set up a working party to investigate the problem as a matter of urgency failed to calm the market.

Other analysts suggested that the equity market was simply catching up with events abroad. The latest easing of tensions in the Gulf, lower oil prices and last week's strong overall advance on Wall Street were propelling UK shares higher.

On currency markets, sterling's relatively strong performance was seen as evidence that its membership of the exchange rate mechanism has added to the pound's stability.

Although the explanations for yesterday's price movements appeared complex, they were straightforward compared with expectations surrounding the outcome of the leadership poll.

Some analysts argued that a win for Mr Heseltine would be bad for markets. Would Mr Heseltine favour a more expansive fiscal policy or a more interventionist approach to economic policy generally which may be bad news for gilts?

Or would he be more attached to Europe and the ERM and consequently less inclined to cut interest rates if sterling were to weaken?

Or would a Heseltine victory enhance the chances of the Conservatives at the next election, keeping at bay the threat of a Labour gvernment?

Some predicted a market "bloodbath" or at least a "softening" if Mr Heseltine wins, others a strong rally if he does well in the first ballot. The "Heseltine factor" appeared as elusive as the man.

A major question mark surrounded the attitude of foreign investors on UK financial markets. Some analysts suggested that Mrs Thatcher may already have lost much of her previous allure for foreign investors and particularly for those on the European continent, so diminishing the "Thatcher factor" in UK financial markets. Others thought foreign markets were still confident that she would win in today's poll.

The complexity of the Conservative Party's selection process meant that analysts were unprepared to forecast the outcome of today's poll.

But one thing is for sure - there will be a reaction to today's result. While the City made hay yesterday, it was bracing itself for turbulence in response any outcome other than a clear win for the prime minister.

CORPORATE SECTOR

Business world delivers mixed verdict on contest

By Michael Cassell and Raymond Snoddy

SOUNDINGS among British industrialists last night provided comfort for both camps in the leadership battle.

The two contenders will both be hoping that the sentiments expressed by corporate leaders will help in the final push to secure MPs' votes.

Some of the most marked differences between Mrs Margaret Thatcher and Mr Michael Heseltine have emerged over industrial policy.

Support for the two sides is often split between those who believe the free-market approach of Mrs Thatcher has brought about a fundamental restructuring of British industry and should be left intact, and those who insist that the government must play a strategic role in the development of the country's industrial base.

A letter in The Times newspaper yesterday, signed by 15 leading industrialists and pledging support for Mrs Thatcher, contained no surprises in terms of the signatories. It represented, however, a highly unusual initiative by a group of business leaders who normally prefer not to wear their political allegiances on their sleeves.

The letter, signed by businessmen from some of the groups privatised in recent years, claimed that the commercial and economic welfare of the country had been "in the safest hands" under Mrs Thatcher and described the leadership challenge as a "grave diversion".

But according to a survey published yesterday, more than half the top UK company directors and City analysts believe there should be a change in the Tory party leadership and, among those, Mr Heseltine is the preferred alternative to Mrs Thatcher.

Management and Marketing Strategy Analysts found that among the 97 directors and City analysts interviewed, 56 per cent think it is time for a different party leader; only 32 per cent disagree; and 12 per cent are uncertain.

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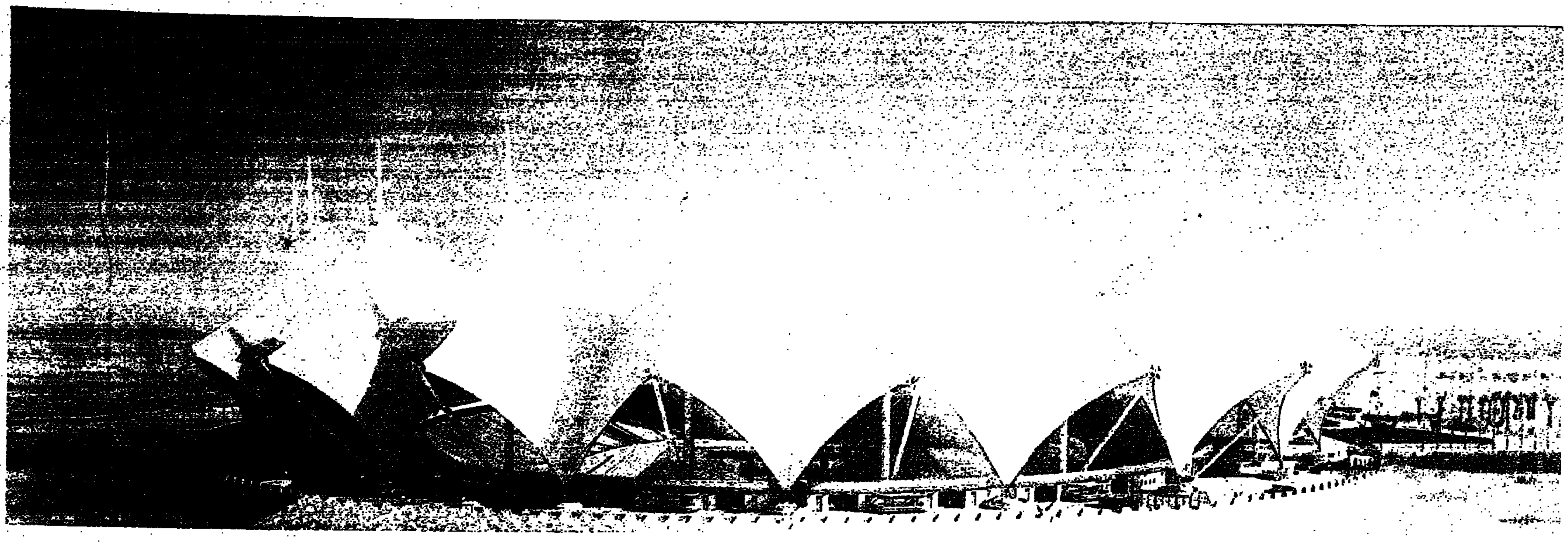
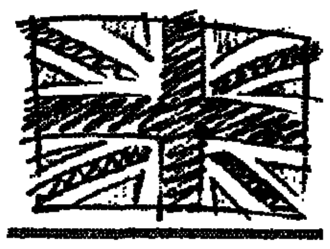


UK NEWS

BRITAIN IN BRIEF



UK output falls in third quarter

British national ouput fell in real terms in the third quarter of this year, the first recorded fall in five years, making it almost certain that the UK will be judged to be in recession in the second half of 1990.

According to Central Statistical Office figures, the provisional estimate of output-based gross domestic product showed a 1 per cent decline in the third quarter compared to the previous quarter. But excluding oil and gas, GDP fell by only 0.25 per cent, owing to a 16.7 per cent fall in oil and gas production while safety work was undertaken.

GDP, in real terms after seasonal adjustment, was virtually stagnant in the first three quarters of 1990, with growth of only 0.1 per cent. A further fall in the final quarter would provide the second consecutive quarter of negative growth thought necessary for a downturn to be labelled a recession and would mean that annual GDP growth was negative in 1990.

Employers 'must look at Japan'

UK employers should consider adopting the practice of their counterparts in Japan in co-ordinating more on pay bargaining, says a senior policy maker at the Confederation of British Industry.

Mr Geoff Armstrong, chairman of the CBI's employment policy committee, rejects calls by some union leaders for a new national wage bargaining forum in which employers and unions would participate and for synchronising pay talks into three months of the year.

However Mr Armstrong suggests an examination of the Japanese system by which the largest employers meet to agree on what are likely to be the industrial performance improvements achievable in the next year and then the pay rises that would be compatible.

In a paper to a conference organised by the Campaign for Work, the pressure group, Mr Armstrong says the system has clear attractions because it is compatible with the decentralised approach to bargaining favoured in Britain.

MoD denies cost overrun

The Ministry of Defence denied reports of a large cost overrun in the four-nation European Fighter Aircraft project.

A senior official said there had been "no change" in the programme but indicated that the aircraft, being developed jointly by the UK, Germany, Italy and Spain, might enter service some time later than 1996 – the date anticipated by the partners when they agreed to go ahead with the project two and a half years ago.

The four partner countries may scale down their plans to buy a combined total of 765 aircraft, and a question mark hangs over Germany's participation in the project beyond the development phase.

Taxpayers to bear court costs

Mr Justice Buckley, judge at the Marconi fraud trial at Winchester Crown Court, ruled that the costs of between £3m and £5m must be paid out of public funds.

The prosecution in the case, which collapsed at the end of last week, explained that the background which had emerged of muddled accounting, rather than dishonesty, was behind its decision to drop the case.

The electronics company had been charged with defrauding the Ministry of Defence of more than £200,000 over three large electronics contracts for scrambling devices for Royal Navy warships.

The company and four senior executives were cleared of 19 charges of theft, deception and false accounting.

Parkinson hints at new taxes

The government is looking at a range of possible taxes to curb car use – but without adding to inflation, transport secretary Cecil Parkinson confirmed.

Various options aimed at reducing greenhouse gases could include increased road fund tax on cars with larger engines and extra taxes on diesel.

Mr Parkinson – who said the details remained a closely-guarded secret – told journalists that public transport operators favoured pricing rather than regulation – but hinted that reducing lorry speeds might lead to big fuel savings.

Terrorist ban 'unnecessary'

A government ban on direct speech TV and radio interviews with members of named terrorist groups is unnecessary and unjustified, counsel for broadcasting journalists told the House of Lords.

The ban interfered with the rights and duties of broadcasters to inform people - and the right of the public to be informed – without reasonable justification, it was claimed.

A panel of five law lords was hearing an appeal in which six broadcasting journalists and a press union employee are challenging the legality of the restrictions imposed in October 1989 by the then home secretary Douglas Hurd.

Groups covered by the ban include Sinn Fein, the political wing of the nationalist Irish Republican Army and the Ulster Defence Association, a paramilitary loyalist group.

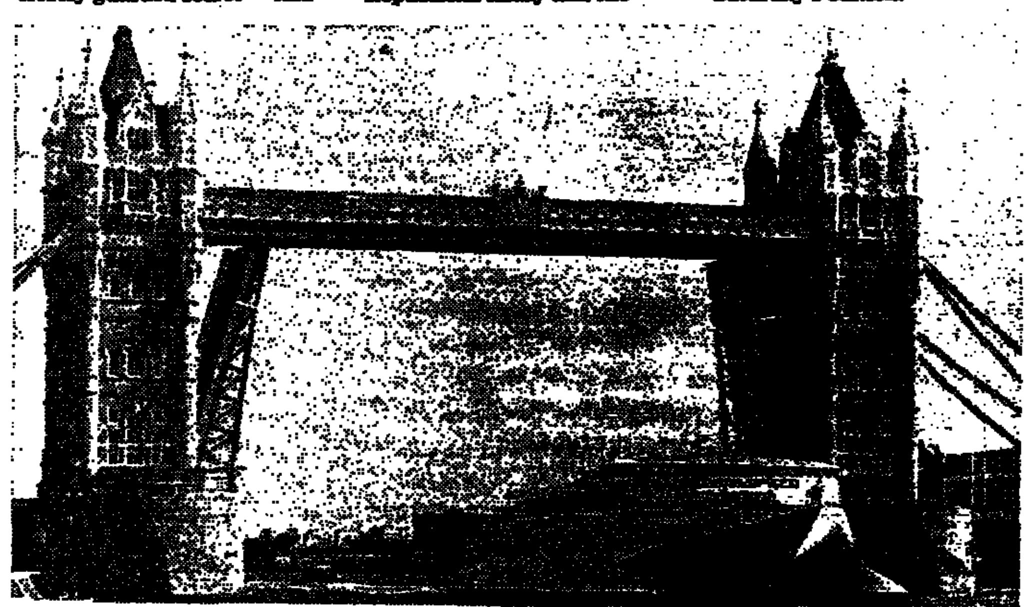
EC to relaunch capital fund

European Commission scheme to back 24 seed capital funds is to be relaunched after a disappointing response from potential investors since it was unveiled 12 months ago in an ambitious bid to create a Euro-wide network of seed funds.

Of 24 funds, eight are still in the process of raising sufficient funds to operate viably. Problems are particularly acute at the Tay Euro Fund in Dundee, Scotland, the northern-England based Yorkshire Acorn Fund and the Business Innovation Fund in Dublin, Ireland.

Correction

The underlying rate of UK inflation, excluding mortgage interest payments and the community charge, rose to an annual 8.4 per cent in October from 8.3 per cent in September. The figures were wrongly stated as 8.3 per cent and 8.2 per cent, respectively, in Saturday's edition.



The SeaCat catamaran 'Hoverspeed Great Britain' cruises under the London's Tower Bridge (above) to collect the Hales Trophy for the fastest North Atlantic crossing by a passenger vessel, The trophy, otherwise known as the Blue Riband, was presented to James Sherwood, president of Sea Containers, on behalf of Hoverspeed by former Prime Minister Lord Callaghan at a ceremony on board the craft on the Thames.

The crossing in June took three days, seven hours, 25 minutes, 14 seconds – two hours, 45 minutes and 46 seconds faster than the record set 38 years ago by the American passenger liner SS United States – and led to a row between the trophy's London-based trustees and New York's Merchant Marine Museum. The museum and United States Lines refused to release the 4ft silver and onyx trophy, saying that the catamaran was not a ship within the meaning of the rules of the competition.

The £10m, 242ft catamaran, which can carry 450 passengers and 80 cars, will return to service on the Portsmouth-Cherbourg route this week.

Raytheon's approach to ending a client's waste management problems is to start at the beginning.

During the last 20 years, Raytheon has quietly become a leader in the design and construction of large-scale pollution control systems.

The business of protecting the environment has grown, currently increasing by billions of dollars each year. So too, the environmental business of Raytheon's Badger and United Engineers & Constructors subsidiaries has also grown.

Solving Problems for Blue-Chip Clients

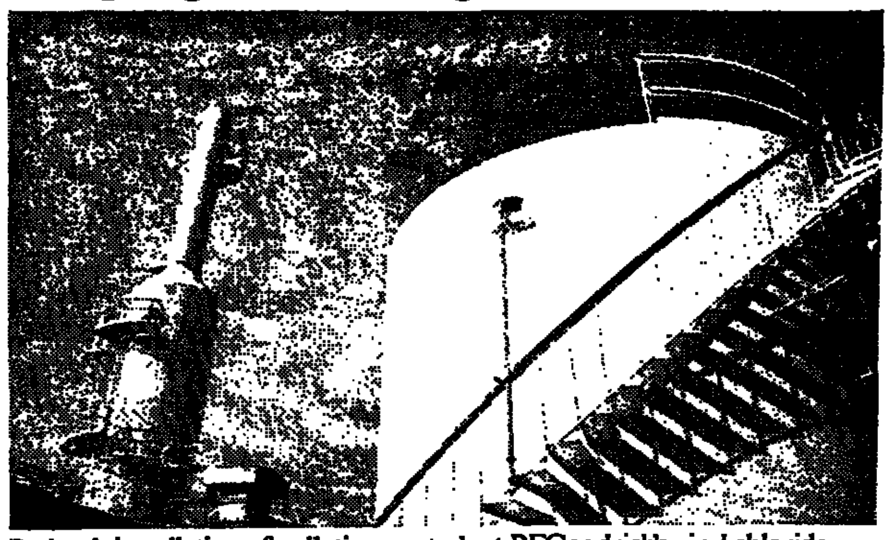
Badger has established state-of-the-art environmental control systems in numerous industries. Clients include BFGoodrich, General Electric Company, Dow Corning Corporation and Petro-Canada Inc.

Badger offers a unique approach to treating polluted materials. Instead of only dealing with waste as it comes out of a pipe, Badger treats the problem at the source, and as it moves through the entire process.

Solving Air, Land and Water Problems

Raytheon is solving some of the toughest air, land and water problems on earth—including gasoline reformulation by refineries, nuclear waste management, waste-to-energy projects and disposal of hazardous industrial waste.

For more information on Raytheon's experience and capabilities in solving a company's environmental problems, not just a single part of them, please write: Raytheon Company, CI Tower, New Malden, Surrey KT3 4HH, England. Or Raytheon Company, 141 Spring Street, Lexington, MA, USA 02173.



Badger's installation of pollution controls at BFGoodrich's vinyl chloride plant at La Porte, Texas, effectively treats vent gas, organic liquids, heavy metals and contaminated water.

Raytheon

An established environmental team solving some of the toughest problems on earth.

FT LAW REPORTS

Banks must bear fraud loss

MIDLAND BANK PLC v BROWN SHIPLEY & CO LTD
CITIBANK NA v BROWN SHIPLEY & CO LTD
Queen's Bench Division:
Mr Justice Waller:
November 5 1990

DELIVERY OF a banker's draft by messenger to the person in whose favour it is issued, is effective to pass title to that person entitling him to present the draft for payment, if the messenger acted with the authority of the issuing bank, and if, though the authority was fraudulently obtained, his identity was not of fundamental importance to the intended delivery.

Mr Justice Waller so held when giving judgment for the defendant, Brown Shipley & Co Ltd, in actions for conversion by plaintiffs, Midland Bank plc and Citibank NA.

HIS LORDSHIP said that Citibank acted as banker for Economou Co Ltd and Neptune Maritime of Monrovia, for whom Economou acted as agent.

Neptune had two accounts with Citibank. The mandates specified four Swiss gentlemen as signatories. Neptune authorised Citibank to transfer funds between accounts on telephone instructions from G Economou, A Economou, R Radin or R Ryall, all instructions to be confirmed in writing by the authorised signatories.

Economou also had an account at Citibank. The authorised signatories were George Economou, Angelo Economou, Ann Lynch, Richard Radin and E Firman.

In December 1986 Brown Shipley received phone calls from an individual who gave his name as "Economou", about the possibility of Brown Shipley supplying £150,000 worth of dollars. He was informed that a sterling draft, banker's payment, or dollar draft would be needed.

Following that conversation someone phoned Citibank, which believed him to be Mr George Economou. The caller asked for a banker's draft in favour of Brown Shipley for $225,000. A draft was prepared.

On December 23 Citibank handed the draft to a person it thought to be a messenger from Economou. In return it received a letter on Economou headed paper, purporting to confirm the telephone instructions. The letter was signed by four people, three of whose signatures bore a close resemblance to those of G Economou, A Economou and R Radin. The fourth purported to be that of D A Lloyd, who was not an authorised signatory.

The letter was (a) not in accordance with Neptune's mandate; (b) contained a signature which was not in accordance with Economou's mandate; and (c) contained signatures of persons authorised to sign on Economou's behalf which no one within Citibank actually checked.

A further telephone call was made to Citibank requesting it to exchange the dollar draft for a sterling draft. The same messenger returned to Citibank with the dollar draft. It was exchanged for a £154,532 draft. The messenger then went to Brown Shipley where he handed over the sterling draft saying he would return to collect the cash.

Brown Shipley, in accordance with normal practice, rang up Citibank to satisfy itself that the draft was in order. It received an unequivocal representation that the draft was genuine and was issued in the ordinary course of business.

Brown Shipley sent a messenger round on December 23 to Citibank with the draft, and received a banker's payment. Brown Shipley obtained funds through its own clearing bank. On December 24 the cash was handed over in an envelope to the messenger.

A second and similar transaction, for a $450,000 draft, was carried out on the instructions of a person identifying himself as Mr Angelo Economou. On a third transaction the fraud was revealed.

Eight months later the fraudsters struck again purportedly on behalf of the Willmott Group, wanting to buy £236,000 Deutschemarks in bank notes through a banker's draft issued by Midland Bank payable to Brown Shipley.

A messenger came to Midland and was handed the draft in return for a letter of confirmation. The signatures on the confirmation letter were passable forgeries of authorised signatures, but no one at Midland checked them or the terms of the authority. There was total non-compliance with Willmott's mandate. Someone left the draft at Brown Shipley, which phoned Midland to check the details. It was told the draft had been issued in the normal course of business and was in order.

Citibank and Midland sought to recover from Brown Shipley the value of the drafts as damages in conversion. They said title in the drafts was never transmitted to Brown Shipley and that the act of presenting them for payment was conversion.

Mr Hirst for the plaintiff banks submitted that if Brown Shipley were to obtain title to the bankers' drafts it could only do so through the fraudsters. He submitted that the fraudsters had no title because on the principle of *Cundy v Lindsay (1877-8) 3 AC 359* there was no contract between them and Citibank, or them and Midland, under which even a voidable title was transmitted.

There were fallacies in Mr Hirst's approach.

The *Cundy v Lindsay* principle only resulted in no title, at least in a bilateral contract situation, where: (i) A thought he had agreed with C because he believed B, with whom he was negotiating, was C; (ii) B was aware that A did not intend to make any agreement with him; (iii) A had established that the identity of C was a matter of crucial importance.

Where A issued a document promising to pay B which was only to take effect on delivery to B, but which he gave to C thinking he was D and which he expected (as happened) would be delivered to B, the question was which contract was allegedly under the *Cundy v Lindsay* principle.

B's "title" did not seem to be derived through C or D. They were little more than a conduit pipe carrying an inchoate instrument. The instrument only became valid on delivery to B (see section 21 (1) Bills of Exchange Act 1882). Delivery to be effective must be made either by or under the authority of a party drawing (see section 21(2)), but a valid and unconditional delivery was presumed until the contrary was proved (section 21(3)).

Only if delivery was without authority would there be no quite separate contract on which B could rely as against A. That contract might be avoidable; but once B had had the instrument delivered to him with A's authority, a contract came into existence between A and B (as A intended) under which B had good title.

So far as authority was concerned, it would usually be very difficult for A to establish that it was of crucial importance to him who actually physically transported the draft to B.

In the present case, for example, delivery might have been done by post, bank messenger, or some other messenger. It so happened that it was done by someone thought to be the customer or his messenger, but that was not of crucial importance. That being so, the authority, albeit induced by fraud, would not be void. The authority would be actual, even if voidable.

The cases emphasised that (1) each case rested on its own facts; (2) that in the bilateral contract context, for no title to pass it must be established there was no contract under which title could pass; and (3) the no contract, as opposed to voidable contract, only arose if it was fundamental to the contract that one party should be who he said he was.

The key lay in whether there was authority to deliver the drafts to Brown Shipley.

The presumption favoured there being authority.

Cundy v Lindsay could be applied to negative that authority, but only if the precise identity of the bailee and possibly the identity of the person to whom the draft was to be delivered, were mistaken *and* proved to be of fundamental importance.

Neither Midland or Citibank were under any mistake or misapprehension as to whom the draft was to be delivered. The bailee who physically carried the draft was a messenger whose precise identity was unimportant.

Once there was authority, title was transmitted directly from Citibank or Midland to Brown Shipley, on the drafts becoming valid instruments as a result of delivery through the messenger.

Brown Shipley did not convert the drafts by presenting them for payment.

The actions failed.

For the plaintiff banks: Jonathan Hirst QC (Nabarro Nathanson).
For Citibank: Michael Brindle (Berwin Leighton)

Rachel Davies
Barrister

MANAGEMENT: The Growing Business

Contrast in NatWest and CBI views

Small firms are riding the economic downturn rather better than larger companies, according to National Westminster Bank, which claims to fund more small businesses than any other bank in the UK.

The latest NatWest quarterly survey* of small business – conducted by the Small Business Research Trust – has a surprisingly bullish tone to it, in sharp contrast to the most recent Small Firms' Economic Report** from the Confederation of British Industry which said that small business had reported its sharpest fall in business confidence for 10 years.

NatWest nevertheless reports that in the second quarter of 1990 small businesses experienced lower sales and employment growth than in the previous quarter. Only 16 per cent more respondents are expecting sales to rise in the third quarter than are anticipating a fall, compared with a 26 per cent difference in the second quarter.

An even narrower margin emerges where prospects for employment are concerned. Just 2 per cent more expect to take on more employees in the third quarter than reckon employment will fall. In the previous quarter the margin was 6 per cent.

But, maintains NatWest, "when these figures are compared with the latest CBI survey on industrial trends a different picture emerges, with expectations of sales and employment among large companies significantly below those of small businesses."

For example, it says, the 16 per cent net of small firms expecting a sales rise contrasted with 36 per cent net of firms in the CBI survey reporting a fall. Two per cent of NatWest respondents were looking for a 2 per cent net rise in employment but 26 per cent net in the CBI survey reported job losses.

**Available at £15 each or £45 a year from School of Management, Open University, Walton Hall, Milton Keynes, MK7 6AA, Tel: 0908 655831.*

***Available from CBI Publications Sales, Centre Point, 103 New Oxford Street, London WC1A 1DU; £10 (£5 for members).*

Protecting patents

How 'big brother' can offer a strong defence

Richard Gourlay reports on Renishaw, a technology high flyer

If David McMurtry had had his way 20 years ago he would probably not now have a personal fortune, a raft of awards and a reputation as one of the biggest names in metrology.

The foundations of the success of Renishaw, the company he helped found, lie in his invention of a device which measures machined parts called the touch-trigger-probe. But an early lucky break with patents and their subsequent fierce defence and extension coupled with a knack for creating new markets is as much a part of the story.

Renishaw provides a vivid example of the value to smaller companies of vigorously protecting products wherever possible with patents, and of having a financially strong "big brother" to defend them in the courts. It is also a reminder that patents must be nurtured, not ignored once in place, as they will expire.

McMurtry developed the original device in his living room one weekend when his employers at Rolls-Royce had run into problems machining parts with sufficient accuracy for the Concorde engine. Using a surprisingly simple concept, he came up with a device, a Kinematic location system, that helped measure machined parts to tolerances of ¼ of a micrometer. It revolutionised measurement so that within 10 years his probes were as familiar on machine tools as electric kettles are in today's kitchens.

From its base in the sleepy Gloucestershire town of Wotton under Edge, Renishaw has achieved remarkable sales growth and enviable margins; in the past five years turnover has jumped by 300 per cent to £48m, on which it turned in profits of £13.4m.

McMurtry could have lost control of the technology, as many other inventors before him have done, had Rolls-Royce not refused to allow him to develop his probe alone. Instead, McMurtry and a colleague, John Deer, left to develop it under licence but took with them a crucial undertaking that Rolls-Royce would help protect the patent.

"If I had been on my own, bigger companies would have copied and told me to sue," McMurtry says, recalling a time when Renishaw almost certainly lacked the resources to fight a long patent battle. In 1976, it faced its first patent challenge which lasted for two years; but Rolls-Royce defended the patent and won.

With this early victory behind it Renishaw continued to maintain the kind of margins – as high as 50 per cent in the early years – it needed to spin off the cash for early research, development and growth without any serious calls on its bankers. By the end of the 1970s, its probe had become a recognised industry standard on co-ordinate measuring machines (CMM) for the inspection of machined parts.

Next, the probe was developed for computer numerically controlled (CNC) lathes and machining centres. The probes allow machine tools to set themselves up accurately and self-correct when things go wrong. They are now generally seen as essential for further development of flexible manufacturing systems (FMS) and fully automated manufacturing.

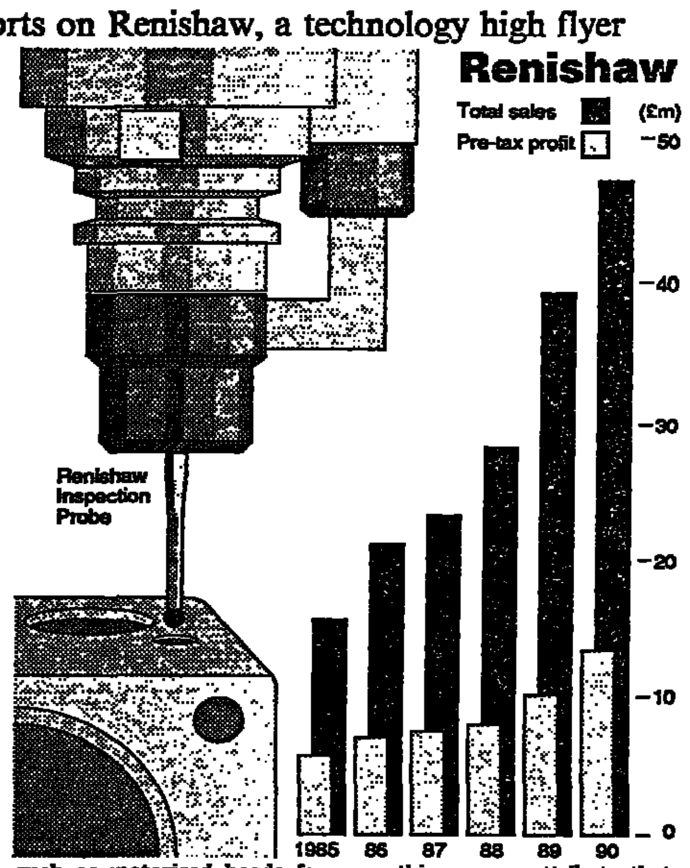
Various Renishaw probes are used by Transmanche Link to check pre-cast concrete segments on the lining of the Channel Tunnel; and they are in standard use to ensure necessary tolerances are observed in the manufacture of jet engine casings and blade tips.

After its early experience, Renishaw was fully aware of the value of patents, something that might appear obvious but has escaped many companies that too often take cheaper short cuts, according to British Technology Group, the state-owned technology transfer company.

However, patents expire. Renishaw has tried to beat this by creating add-on products – patented of course – for the original probes. "Our plan is to patent as we go along," says McMurtry. "Even if competitors are able to make our earlier probes these would not now be accepted in the market because we have better products which remain covered by patents."

It is as if boots had been patented before the invention of laces. By the time the patent expired, laces would have appeared and been patented. A newcomer would be able to make boots but who would buy them without laces?

Renishaw has concentrated on developing new products such as motorised heads for probes, "flexible joints" from the machine head that allow the probes to measure from any angle and new, more sophisticated probes.



Although the patents on Renishaw's first probes start to expire in Europe within 14 months and in the US in six years, the company is banking on the patent thicket it has erected to give it effective cover for much longer.

Renishaw is also trying to develop new markets by enlarging the applications of the original probes. One development could reach a surprisingly wide audience for what is still a very specialised field.

This new product uses ordinary touch-trigger-probes and a simple PC programming package to trace the contours of an object, record it and reproduce it. For a few thousand pounds a design house can copy the design of almost anything – an attribute that has not escaped the numerous Hong Kong traders who have bought the product.

Its fastest growing product, the laser interferometer, exploits the fact that machine tools lose their precision during operation. Laser interferometers calibrate machine tools or machines that measure their accuracy and check the machine's movement.

Renishaw has also tried to increase the number of probes it can sell per CMM. Ten years ago each CMM would have one, worth £2,500 in sales to Renishaw; now each machine can be sold with up to eight probes, worth over £25,000. This means its sales are no longer directly dependent on the sales of CMMs, providing a useful hedge against an engineering recession.

Renishaw's progress from McMurtry's living-room floor to a leading player in metrology has not always been smooth. After Renishaw left the USM for the main stockmarket in 1984 the City began to worry about the acumen of a number of boffins-turned businessmen. There were some fears that Renishaw might be heading for a research and development binge or exciting, but unprofitable forays, into other high-tech areas using the cash it was spinning off.

In the event, Renishaw's research and development engineering budget has been held at between 10-15 per cent of turnover and its lessons in the acquisition classroom proved relatively cheap to learn.

In 1985, Renishaw spent £0.75m for 75 per cent of Micro Aided Engineering, a company making software that allowed computer-controlled machine tools to talk to each other, and promptly lost £400,000 in its first year. The business was closed. McMurtry recognises that the company made mistakes and is now wary of buying companies in order to acquire technology with which he and his team are not familiar.

Apart from the successful purchase of a French company to develop existing business lines, McMurtry says there are no plans to dig into Renishaw's £18m cash pile for acquisitions unless an absolutely golden opportunity arises.

Throughout this period, the constant protection of its patents by Rolls-Royce meant that, when confronted with the most serious challenge to its patents from the US company GTE-Valeron – which threatened Renishaw's biggest market in the US – a successful defence was mounted.

After a three-year battle in the US courts which drained cash and management effort, Renishaw not only emerged with its patent intact but with the opportunity to take over the customers that GTE-Valeron was no longer able to service. The £3.34m settlement reported in Renishaw's 1987 results, which did not reflect the amount due to Rolls-Royce, confirmed Renishaw's view that its legal department was a profit centre.

Most recently, Renishaw successfully defended the validity of its patents on touch trigger probes in Dusseldorf after an infringement by Zeiss and Heidenhain of Germany. It was the first patent case successfully fought by Renishaw without the background presence of Rolls-Royce, which sold to Renishaw last year its right to royalties to Renishaw.

In brief...

■ TOO OFTEN, businesses "reach crisis conditions, usually marked by overdraft limits being exceeded, before thinking about improving working capital management and effecting cost reductions".

So says Christopher Honeyman Brown, head of the private business development department in London of accountants and management consultants, BDO Binder Hamlyn, introducing what his firm believes is a "timely rather than premature" publication, Surviving the Recession*.

Produced more particularly as an *aide memoire* for owner-managed businesses, Surviving the Recession sets out to show how companies can reduce costs and working capital. Some of its suggestions it sees as being no more than basic management issues; others it feels are less obvious but likely to prove useful.

As well as a general outline of how to approach cost cutting, the publication provides a checklist of specific ways to cut costs; in the area of production management these cover labour related issues, manufacturing, supplies and materials and engineering. Administration and financial management and marketing and sales are other checklist subjects.

**Available free from Christopher Honeyman Brown, BDO Binder Hamlyn, 20 Old Bailey, London EC4M 7BH.*

■ Newspapers and trade journals are regarded as the best source of information on 1992 and the single European market, according to a survey* of 242 small companies made by Cranfield School of Management. The Department of Trade and Industry, which has run an extensive advertising campaign, and chambers of commerce came third and fourth in the ratings.

**The Single Market and Small Growing Companies in the UK. Cranfield School of Management. Tel 0234 751122. £15.*

■ ENTERPRISING Northern Ireland, a two-year programme to create a more entrepreneurial climate in the province, trained more than 500 people from disadvantaged groups and helped at least 100 businesses start up. Around 6,000 people were involved, according to a report* on the project.

Northern Ireland is marked by a traditional, employment-based culture with high levels of unemployment and the under-use of existing skills. The campaign sought to reduce the area's dependence on external capital by developing more new local businesses.

The two main aims of the campaign were to target groups such as women, the unemployed and young people for enterprise training and to help local small business support organisations such as enterprise agencies increase their efforts and work more closely together.

**Enterprising Northern Ireland. The Development and Achievements of the Campaign. From Victor Hausner & Associates, 16 Bell Yard, London WC2A 2JR. Tel 071-405 6788.*

■ The main UK factoring companies absorbed £8m of bad debts on behalf of their clients in the first nine months of 1990 compared with just £3.5m in the same period of 1989. The average value of bad debts rose to £2,212 at the end of September compared with £1,611 a year earlier, according to the Association of British Factors and Discounters.

■ Citicorp Venture Capital has raised an Ecu 130m (£92m) fund to invest in buy-outs, buy-ins and other development capital deals prompted by the restructuring of European companies in response to the creation of the single European market.

Most of the money has come from wealthy private clients of the Citibank Private Bank and from Pallas group, which manages private equity investment funds. The new fund, called EuropEnterprise '92 is a Bermuda-registered limited partnership.

■ The Small Business Resource Bank, a training package designed to help people who advise small-business owners, has been launched by the National Extension College and Durham University Business School.

The package comprises two loose-leaf folders titled Idea to Start-Up and Start-Up to Growth, each covering 12 subject areas. Topics covered in Volume One include Considering self-employment, Deciding on your business structure and Costing and pricing while Volume Two looks at Production planning, Managing people and Assessing your growth potential.

Available from Customer Services Department, NEC, 18 Brooklands Avenue, Cambridge, CB2 2HN. Tel 0223 316644. £90 per volume or £170 for two.

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L'Histoire de Manon

OPÉRA GARNIER, PARIS

Manon Lescaut returned to her native heath this month, when the Paris Opéra Ballet staged MacMillan's *Manon*. And so as not to confuse French audiences, the piece is now called *L'Histoire de Manon*, though in all other respects it is the charmer first seen at Covent Garden in 1974.

The Opéra has lavished a great deal of elegance and eloquence (and money, if opulent appearances are anything to go by) on the staging. Nicholas Georgiadis' designs have been little altered – a few dresses are grander, a few outfits more lush – but this apart, the decorations still provide a vivid image of the ballet itself, rags framing riches, corruption gorgeously clothed, vice equated with luxury, poverty the spectre that haunts Manon.

The ballet looks fine, sounds fine – Barry Wordsworth draws much illuminating detail from the orchestra – and is finely danced. I saw, on Saturday afternoon, the Opéra's first cast: Monique Loudières as Manon; Kader Belarbi as her brother; Manuel Legris as Des Grieux; and Marie-Claude Pietragalla as Lescaut's mistress.

MacMillan's choreographic manner must inevitably have presented difficulties to the *Opéra* dancers; they are unused to a movement style so expressive of emotional nuance. The *Royal Ballet* has always shone as a dramatic ensemble knowing at every moment how to shape a dance-phrase, a scene, a whole ballet, to surest effect. At the Opéra the priorities have been other, not least in technical flair, where the identity of the performer as performer has frequently seemed more important than the role performed – and in some of the playing in *Manon* this remains a problem.

Yet if MacMillan's demands have seemed unfamiliar, they have been eagerly met by the generality of the company, and superbly by Monique Loudières and Manuel Legris. Mlle Loudières is a Manon of rare sensitivity. She lacks something of the innocence that should colour the opening scene, but once she has sprung from the bed into Des Grieux' arms, the role is hers. She gives Manon quickness of emotion, sweetness of style, felicity of playing, and shows us a girl fully appreciative of the world's lures, and happy to enjoy them. For the tragedies that at last close in on her she finds a combination of nervous energy and spiritual exhaustion which is astonishing: the dancing becomes an act of self-immolation marvellously touching.

No less admirable, Manuel Legris is revealed as an artist in whom dramatic and technical power are ideally balanced. His dancing is brilliant – he makes complete sense of choreography still imprinted with Anthony Dowell's classic finesse and long line – and he manages Des Grieux' extraordinary mixture of innocence and head-long passion with a natural elegance of style. Here is a complete portrait.

I thought him excellently matched by Kader Belarbi's Lescaut in the first act. Saturnine, a bully-boy with charm, M. Belarbi's portrayal has a physical allure as bold as his movement. But, for inexplicable reasons, he throws away the characterisation in the second act, in the apparent belief that the drunk scene is an extended occasion for farce. Aided and abetted by Marie-Claude Pietragalla – beautiful, gifted, and no less wrong-headed here – the tipsy pas de deux becomes impossibly vulgar, Mlle Pietragalla signalling every least flicker of feeling to us with the wit of a low comedian, while M. Belarbi belabours each comic point. Tom and Jerry are more subtle. It is distressing to see two exceptional artists hell-bent on destroying the roles they have so skilfully built up.

Monique Loudières and Manuel Legris

At this performance the difficult part of Monsieur G.M. was also in danger, but from underplaying. Derek Rencher's Covent Garden creation was a spoiled aristocrat, suffused with lust. At the Opera, Gérard Claudel is palely menacing, but never conveys the sexual fury that drives G.M. – and the drama – on.

These reservations apart, the Opéra dancers have found themselves in *Manon* and done honour to the ballet. Saturday's performance was alert and already idiomatic, and touched by enough stylishness to let us know that Manon has regained her French accent.

Clement Crisp

Stephen Climax

THEATRE ROYAL DE LA MONNAIE, BRUSSELS

This is the first staging of Hans Zender's opera since its premier four years ago in Frankfurt. Later this season it will join the repertory in Nuremberg. By any standard, it is reaching a wide public. The Brussels performances were sold out, and this is not the only contemporary work there this season: the new John Adams opera follows in March. Gerard Mortier is clearly making the most of his final year at the Monnaie.

Hans Zender (b. 1936) is best known for his work as a conductor in Hamburg and Saarbruecken. *Stephen Climax* is his first, and so far his only, opera. It is a complex and immensely demanding work, at once fascinating and frustrating. One comes away admiring the scope of Zender's intellect and musical ambition, but disappointed that he has let his intellect get the better of him, drowning a good idea in a welter of notes and theatrical construction.

The opera lasts for 130 minutes without a break and consists of two parallel tales. One is a generalised evocation of Simeon the Stylite, an early Christian saint who devoted himself to a life of prayer and contemplation in the Syrian desert. The other, drawn from Joyce's *Ulysses*, follows a specific train of events in Dublin one evening in 1904. Stephen, an aspiring poet and intellectual, discusses the meaning of art, broods on the death of his mother, and visits a brothel, where the air of merry-making is interrupted by a series of apparitions. The opera ends with Stephen picking himself up off the street, after being knocked unconscious by two British soldiers.

The two dramas unfold simultaneously, with separate casts occupying the same stage. Simeon and Stephen are both searching for the meaning and purpose of their existence, one in a mystical way, the other through experience of the world. Zender offers no conclusions – the opera's *raison d'etre* is simply the creative friction of opposites, a sort of theatrical parallel to musical counterpoint, an acknowledgement that art works on different levels and can express contrasting emotions at one and the same time.

The score calls for two orchestras – the Monnaie production placed one on a level high above the back of the stage, offering an unusual acoustical perspective without unnecessary distraction. Zender uses serial music to unite the work's disparate forces, while occasionally digressing into just about everything from baroque to salon music.

He is at his most effective when employing the simplest of means – as in the fast, lightly-scored vocal ensembles and ruminative soliloquies for principal characters (notably the lament sung by Simeon's mother, accompanied by guitar, high-pitched oboe and humming lower strings). There are several arresting passages, where the other-worldly chant of Simeon's followers wells up from nowhere and gradually superimposes itself on the empty outpourings of Stephen's entourage.

After about an hour, however, the opera starts to mark time. The balance between the two tales disappears in the over-extended brothel scenes of Act 2, and none of the characters develops a flesh-and-blood personality. The action becomes increasingly difficult to follow, even if one has been well primed beforehand (an excellent Monnaie programme book, with full libretto and musical examples). The music, too, becomes monotonous, fragmented, brutal and trivial; much of the instrumentation and quality of invention smacks of the German avant garde of the 1960s and 1970s. Zender acknowledges his debt to B.A. Zimmermann, but cannot begin to match the latter's command of form and content in *Die Soldaten*.

It is hard to tell how much of this impression was the fault of the Brussels production. Under Markus Stenz, the musical execution was beyond criticism, with alert, musical responses from everyone involved, and immaculate co-ordination between pit, stage and second orchestra. Peter Mussbach's staging, designed by Paul Lerchbaumer with costumes by Joachim Herzog, was built on a simple black abstract set, and made productive use of the stage turntable. The slow-motion movements of Simeon and his mud-covered loin-clothed monks made a more vivid impression than the buttoned-up brothel scenes, which came over as an interminable succession of entries and exits.

All praise to the cast for mastering one of the most exacting tasks of timing and memory that any ensemble can have faced. The trio of Dublin men – Dale Duesing as Stephen, Urban Malmberg as Lynch, and Richard Salter as Bloom – gave agile, well-sustained performances. Ronald Hamilton as Simeon and Philip Kang as Antonios were no less impressive, as was Ellen Shade, doubling as mother of Simeon and Stephen.

Andrew Clark

Schubert's 'Unfinished'

QUEEN ELIZABETH HALL

Finishing the "Unfinished" used to be the kind of task for which well-meaning philharmonic societies offered prizes to young composers, whose numerous efforts have long been consigned to limbo. In our more style-conscious times nobody but Schubert himself is good enough. On Sunday evening the Age of Enlightenment gave a "complete" performance, using music almost wholly by Schubert for the missing scherzo and finale, following a new text prepared by Brian Newbould (who some years ago gave us a realisation for Schubert's sketches of his tenth, D major Symphony).

His "Finished" is not in fact new in conception. Back in 1881 a similar version was given at Crystal Palace, and in 1971 another, prepared by the late Gerald Abraham, was performed at the Royal Festival Hall and elsewhere and subsequently published by OUP. The basis of all these is the use of the B minor entr'acte from *Rosamunde* as the finale – on the grounds that is is the right form and the right key and dates from the right years, and that it is too substantial a piece to sit plausibly among the rest of the *Rosamunde* music.

There are arguments for and against the possibility that Schubert actually composed this piece as the B minor symphony's finale, and all of them are inconclusive. Possibly the most solid piece of evidence is the broken-off sketch of the scherzo, which must imply that the symphony was left incomplete; if Schubert was dissatisfied with it that is understandable, for its invention is not strong.

Professor Newbould's new orchestration favours woodwind tone, and this completion of the trio is a fairly slender piece of pastiche. Still, except to the ultra-sentimental the two-movement torso is in no sense an an integral work, and any attempt to round it out in Schubertian fashion needs to be taken seriously. The entr'acte finale, if too big for *Rosamunde*, is too modest for a symphony finale (less than seven minutes' music hardly balances the first two movements); but although often close to the first movement in feeling and sonorities, its ideas are short-breathed and it lacks the continuity and the symphonic momentum of Schubert's authentic symphony finales. The opening movements would surely have provoked something grander and more powerful. But our ingrained listening habits would probably make it hard to accept any solution, even a correct one, so I hope there will be more chances to listen to this and indeed other finished versions.

For Sunday's performance Sir Charles Mackerras had charge of the Orchestra of the Age of Enlightenment, stepping well beyond its eponymous era. I enjoyed hearing the symphony without the cushioning of a large, vibrato-laden string band and with harsher, more outspoken wind sound: those hollow-toned tuttis seemed more austere than usual, the accents more pained. The Andante drew some fine wind solos from Antony Pay (clarinet) and Anthony Robson (oboe), as well as delicately timed horn playing from Beth Randell, and Mackerras often shaped the accompaniments sensitively. *The tone of desolation in the music was unmistakable.*

There was also Mendelsshon's *Fingal's Cave* overture, notable for the quietly sombre ring of the natural trumpets, the clarity of the wind writing, the urgency and immediacy of the larger-scale crescendos; and a neatly crafted clarinet concerto by the Finnish composer Bernhard Crussell, a contemporary of Beethoven's whose jaunty tunes and grasp of the instrument's technical capacities drew playing both brilliant and shapely from Antony Pay, in fluent command of his period instrument.

Stanley Sadie

Some transubstantiation needed

William Packer reviews the current sculpture exhibitions in London

Some of the sculpture about at the moment, interesting enough in itself, gives rise to general and fundamental questions. The Serpentine Gallery and the Institute of Contemporary Arts are showing the work of seven contemporary sculptors from Europe in a joint exhibition, *Possible Worlds* (Kensington Gardens W2 and The Mall SW1 respectively, until January 6): Magdalena Abakanowicz fills Marlborough Fine Art with her strange and haunted heads and figures (6 Albemarle Street W1, until November 30): and Richard Long still occupies the vast central halls of the Tate with three large new works (into the New Year).

Sculpture is in many ways an impossible art. It is committed to the manipulation of actual material in the real and physical world, without even the apparent functionalism of architecture to summon in self-justification. All it can do is to present the object as itself, in obvious rivalry to what Nature, in all its rich and endless invention puts before us all the time. Where the painter, abstract or figurative, is always safe in his magical never-never-land of the imagination beyond the picture plane, the modern sculptor is all too easily trapped in the mundane world.

A magical and ambiguous imaginative transformation, transubstantiation if you like, may still take place – the breath of life, or the thought of it, conjured into dead clay or stone – though this is more likely when the artist is working and modifying his material directly with his own hands. Modesty too comes into it, with a certain scope allowed for speculation and surprise, as the artist himself waits to see quite what will happen. But such intimate occasions are now rare. Sculptors fill whole rooms with stuff. Domineering orthodoxies now prevail, excused by all manner of critical exegesis – here the creative disposition of material, there the magisterial articulation of space, there again the metaphysical critique of the modern world – but domineering none the less.

For what we so often get with all this space-filling is not true sculpture at all, but *tableau*, which is an art of presentation and a kind of theatre. Environmental art, we are persuaded to call it, as it arrogates whole galleries to itself, for only the most public of spaces can accommodate it. But it is all and only a trick of effect. The effect is all, and the assumption of a profound significance it thus makes on the artist's part, is profoundly arrogant.

To enter Marlborough Fine Art at the moment is to experience a frisson of pure theatre, in the confrontation of it affords with Miss Abakanowicz's serried ranks of grey figures, that fill the long central space. Whether it is of more than theatre, but sculpture too, is another matter. Each of these figures is more or less life-size, made of resin-impregnated sacking pressed roughly onto the same mould, and each is thus a hollow shell, to be seen only from the front. The impression of faceless humanity, crowded and oppressed, is inescapable, if a little portentous and even trite. That impression, strong as it is, remains only a function of the presentation.

But she is also showing other works, in particular, a set of simplified and ambiguous animal heads, modelled and cast in bronze, that point the essential difference. Each is unique, unmistakeably what it is in its material presence and yet immanent with imaginative possibility, sacrificial trophies to strange gods. So too is the large bundle of staves, a kind of gigantic *fascis* stuffed into a beaten and weathered metal sleeve, the whole supported on a trestle. It is as odd an object as it is impressive.

Again, to enter the long central axis of the Tate to find Richard Long's latest slate rectangle at one's feet, a flint circle in the rotunda and beyond, in the far distance, a further work in wet chalk sludge painted on the floor, is to find oneself celebrating not the work at all, but the interior space and the enclosing architecture. Here, with Long for once merely servant and animator, is it is the theatre of architecture that we experience, that can never have been seen and felt so pure and simple since the Tate was built.

And his sculpture as sculpture? Where once upon a time, by his mere selection of found material, the wood or stone that he picked up, brought back and redisposed within the gallery, he curiously recharged it, made it particular and loaded in the imagination, now, by infinite repetition and amplification, the device begins to wear thin. Each demonstration is no less elegant, but remains what it is, a demonstration, an empty rite that has lost its magic. The larger its scope, and the more arrogant the assumption of significance, the emptier it seems. What remains is scenery, sometimes quite impressive scenery, but the action now moves past it, rests elsewhere.

So too at the Serpentine and the ICA, where the more engaging and truly sculptural works are the more intimate and self-effacing, those more expansive the more tiresome. Thomas Shutte (Serpentine) shows both aspects at once. His schloss-like "Casino" on its table at one end of the room, with papers scattered on the floor beneath, is no more than another grandiose tableau, yet with his "Berries", ballcocks on copper pipes for all the world like fruit on a twig, is at once witty and formally intriguing. Stephan Balkenhol's heraldic wooden cockerel on its plinth in the large entrance gallery next door, and the figures on the wall shallow carved in low relief are convincing in themselves, but suffer rather by the implication of ensemble presentation.

At the ICA, Jean-Marc Bustamente's "Inventaire", of panes of glass set out in pigeon-holes, is perversely elegant in its pointlessness. The small bronze rocking figure, with bells for her hands, by Juan Munoz, is simply the most charming and unaffected piece of all, witty in its formal conception and beautifully made.

The most unaffected piece of all: 'Greek Ballerina III' in bronze, wood and marble by Juan Munoz

Vassa Zheleznova

GATE THEATRE, NOTTING HILL

Just as an era of Russian history is drawing to a close, London theatre keeps drawing us back to that era's beginning. 1990 has brought this city a rich assortment of Russian plays, some famous, some neglected. Taken together, they form a pattern that re-illumines history.

Chekhov's *Three Sisters* (1901) and *Cherry Orchard* (1903) are both underscored by a brooding sense of impending social change. *Piano*, Trevor Griffiths's new re-working of Chekhov's *Platonov*, is set in 1904, just before Bloody Sunday and attempted revolution. In Gogol's *Barbarians* (1906), the old society is already being eroded, peacefully but bitterly. Then Babel's post-Revolutionary *Marya*, set in the Petrograd of 1920, shows the old order's last helpless traces being swept violently away – and the dangerous, exciting potential of the necessary new.

Now the new company Classics on a Shoestring – which began so well this August with its revival of the 1594 English drama *Arden of Faversham* – is presenting Gorky's *Vassa Zheleznova*. History is this play's motor. Set in 1907, it refers specifically to the 1905 revolution. Gorky, who had been active in the events of 1905, first wrote *Vassa* in 1908. Then in 1935 he produced a largely revised version, which he considered definitive. (1935, when the character of the Stalinist regime was becoming apparent, was the year Gorky's application for a passport was refused; in 1936 he died.)

The atmosphere of *Vassa Zheleznova* is dark, severe, claustrophobic. Somewhere in its engines, however, there is a "Bliss was it in that dawn" nostalgia for the era of 1905. It recalls with excitement the first evident fissures in Russian society, the *need* for revolution. Vassa Zheleznova herself, who runs a shipping business, is the embodiment of the harsh face of bourgeois capitalism. She is also a minor Russian Clytemnestra, forcing her adulterous and paedophile husband to take his life, and coping grimly with her two abused daughters, her alcoholic brother and her business.

Vassa's daughter-in-law Rachel – a character whom Gorky introduced in 1935 – is (like Gorky himself) a revolutionary, evading police after involvement in the events of 1905. "The Revolution fizzled out," Vassa reminds her – but Rachel knows that revolution is inevitable. "The world of the rich is falling apart – starting with the family," she tells her mother-in-law.

Vassa is not, on this evidence, as fine a drama as *Barbarians*. There isn't the human detail, the multi-stranded (Chekhovian) depiction of a social fabric, the interlacing of tragedy and comedy. (Was this true of the 1908 version too? I'm curious.) But it is a startling play, clearly the work of the author of *The Lower Depths*, and the central responsibility it gives to women is fascinating. Cathy Porter's new translation is always fluent. Katie Mitchell's production catches the right sombre Dostoyevskyan realism, thanks no doubt in part to the assistance of a Russian dramaturg, Arkady Ostrovsky. Between scenes there are Russian polyphonic chants, sung with surprising power by all the cast. (These suggest a faith that Russian humanity will survive both corruption and turmoil.)

Paola Dionisotti, rightly, dominates as Vassa, fleshing out this tough but not inhuman matriarch with telling touches. So much of her character is there in the first scene, simply in the way she speaks into the telephone, forced by its short wire to lean over, pressing her words insistently into the new machine. Then, as she hears of her husband's forthcoming trial, a cheek muscle flinches in the granite face. Like all the cast, she makes a virtue of the tiny stage space (only twice turning up the actorly volume knobs too high).

Every role here is difficult. The actors playing the other members of Vassa's household – notably Kristin Hewson and Sarah Harper as the two daughters – all make their roles sharply important. More spontaneity, though, and more characterful detail needs to emerge. Anne Aylor has choreographed an astonishingly vivid, Dionysiac outbreak of Russian dance for the family when Vassa is away. Perhaps the best feature of all is David Ludlam's and Mark Ager's gas-like lighting, which works on Peter Ruthven Hall's designs to conjure up the shadows, highlights and recesses of a bygone kind of interior.

Alastair Macaulay

ARTS GUIDE

November 16-22

OPERA AND BALLET

London

Royal Opera, Covent Garden: new production by Adolf Dresen of *Fidelio* is conducted by Christoph von Dohnanyi, and has Gabriela Benackova, Jan Blinkhof, Monte Pederson, and Robert Lloyd in leading roles. Further performances of the *Barbiere di Siviglia* revival, conducted by Gabriele Ferro, with the second of two interesting casts: Edita Gruberova, Justin Lavender, Vladimir Chernov, Eric Garrett, and Alexander Morozov. English National Opera, Coliseum: *Così fan tutte*, in John Cox's stylish 1980 production, returns with a new cast, led by Rita Cullis and Glenn Winslade, and Peter Robinson as conductor. Further performances of the new double bill – Delius's *Fennimore and Gerda*, Puccini's *Gianni Schicchi* – conducted by Charles Mackerras and produced by Julia Hollander.

Paris

Bastille Opera. The season opens with Verdi's *Otello* conducted by Myung-Whun Chung with Placido Domingo in the title role for the first five performances and with Renato Bruson as Iago and Kallen Esperian as Desdemona (40011616).
Opéra Palais Garnier. *L'histoire de Manon* to Massenet's music rearranged by Leighton Lucas in Kenneth Macmillan's choreography with Nicholas Georgiadis decors and costumes, conducted by Barry Wordsworth (47425750).
Théâtre des Champs Elysées.

Brussels

Théâtre Royal de la Monnaie. The Monnaie Opera in Hans Zender's *Stephen Climax*. Sylvain Cambreling conductor, staging by Peter Mussbach, sets by Paul Lerchbaumer.

Antwerp

Koninklijke Vlaamse Opera. The Royal Flanders Opera in Verdi's *Macbeth*. Rudolf Werthen conductor, staging by Gilbert Deflo with Josephine Barstow, Pablo Elvira, Gabor Andrasy, Huw Rhys-Evans.

Amsterdam

Elisa Monte Dance Collection with the world premiere of *The World Upside Down*, *Turtles Eat Bones* and *Dextra Dei*. Netherlands Opera in Glen Wilson's new production of *Il Ritorno d'Ulisse in Patria* by Claudio Monteverdi, directed by Pierre Audi. Glen Wilson conducting a baroque ensemble playing authentic instruments, with Anthony Rolfe Johnson as Ulysses and Graciela Araya as Penelope. Muziektheater (255 455)

Barcelona

Verdi's *Un Ballo in Maschera* conducted by Romano Gandolfi with a cast led by Anna Tomowa-Sintow. Ends November 27. Gran Teatre del Liceu. (412 14 66).

Utrecht

Opera Forum with Janáček's *Cunning Little Vixen*. Jiri Pinkas conducting the Forum Philharmonic. Vredenburg. (Wed).

Bologna

Palazzo Dei Congressi. Roland Petit's new and revolutionary *Sleeping Beauty*, with Domique Khalfouni and Zizi Jeanmaire as Carabosse. (529999/302932).

Turin

Teatro Regio. The Regio celebrates its 250th anniversary with two versions of Verdi's *Don Carlos* (the French and the Italian) performed alternately between now and mid-December, both of which are conducted and produced by Gustav Kuhn, but with different casts. The Italian version will be the one given in Modena in 1886, the French edition will also be the full-length version. (8815241).

Venice

Teatro La Fenice. Alban Berg's *Lulu*, sung in German in a new production by Giorgio Marini, with 1930s sets and costumes by Laura Grisman. The excellent cast is led by Ann Panagulias, making her European debut in the title role, conducted by Yoram David (5210161).

Berlin

Opera. Hindemith's rarely played *Mathis der Mahler* will have its premiere this week, produced by Götz Friedrich with the title role sung by the Finnish singer Jorma Hynninen. Other performances include *Cosi fan tutte* with Angela Denning, Keith Lewis, Mariana Cioromila, Carol Malone; *Katja Kabanowa* with Karan Armstrong, Patricia Johnson, Maria Teresa Reinoso and Camille Capasso. Also Hans Neuenfels' production of *Rigoletto*.

Hamburg

Opera. Jochen Kowalski Lieder recital, accompanied at the piano by Shelley Katz with songs by Mozart, Beethoven and Schubert. *Die Hochzeit des Figaro* in Johannes Schaaf's production opens this week with Eliahu Inbal making his debut as conductor in Hamburg. Also *Hänsel und Gretel and the ballet Peer Gynt*.

Cologne

Opera. *Rheingold*, *Walküre*, *Siegfried*, are part of the new ring cycle in a co-production with the Düsseldorf opera, produced by Kurt Horres and conducted by Hans Wallat. Fantasies is a guest perforamnce by the Düsseldorf ballet company.

Bonn

Opera. *Der Nussknacker* has wonderful Youri Vamos choreography.

Munich

Opera. *Nabucco* stars Julia Varady, Daphne Evangelatos, Wolfgang Brendel and Paata Burchuladze. *Palestrina* has Georgina von Benza, Marilyn Schmiege, Manfred Schenk and John Broecheler, in the main parts. *Un Ballo in Maschera* brings Sharon Sweet, Marjana Lipovsek, Alexandru Agasche and Wolfgang Rauch together. Further offered *La Sylphide*, choreographed by George Balanchine, Richard Strauss' *Die ägyptische Helena* with Gwyneth Jones and Spas Wenkoff.

New York

Metropolitan Opera: James Conlon conducts *Salome* with Hildegard Behrens, Helga Dernesch and Peter Kazaras in Nikolaus Lehnhoff's production. James Levine conducts Arvin Brown's production of *Porgy and Bess* and Piero Faggioni's production of *Un Ballo in Maschera* with Aprile Millo, Lucien Pavarotti and Juan Pons. (362 6000)

New York City Ballet. 93rd New York season opens with Tchaikovsky pas de deux, *Diamonds* and the year's sole performance of *Serenade*. New York State Theatre, Lincoln Center (496 0600)

Washington

Washington Opera. The company's 35th season continues with Maria Ewing in the title role of *Salome*, in Sir Peter Hall's production conducted by Gerald Schwarz. Yoko Watanabe is Mimi and Antonio Ordonez is Rodolfo in Gian Carlo Menotti's production of *La Boheme* conducted by Vjekoslav Sutej. Opera House, Kennedy Center (416 7800).

Chicago

Lyric Opera. Donato Renzetti conducts Andrei Serban's new production of *Lucia di Lammermoor* with June Anderson as Lucia and Alfryvo Kraus as Sir Edgar. Frank Galati directs Argento's *The Voyage of Edgar Allan Poe*, with libretto by Charles Nolte. Christopher Keene conducts. Civic Opera House (332 2244).

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The G7 route to an Emu

FRANCE HAS always been the most passionate enthusiast for stable rates of exchange within the Group of Seven leading industrial countries. France has also long seen the G7 as one of its best levers of influence upon the Bundesbank, effectively its central bank. It was not surprising, therefore, to hear Mr Pierre Bérégovoy, the French minister of finance, call for an early meeting of the G7 in order to discuss the plunging dollar.

There is sense in the demand. The dollar's plunge has been both swift and steep. On a nominal trade-weighted basis it is now at an all-time low. If the G7 is still interested in exchange rate co-ordination, now is, indeed, an appropriate time for it to meet.

Things are almost, but not quite, that easy. The co-ordination process has too often been a vehicle for the US administration to impose its inflationary bias upon its partners. This inequality of influence brings the process into disrepute. But it is also economically undesirable, with highly-inflated Japanese asset prices being just one unpleasant consequence of previous efforts.

On past form, a meeting of the G7 will be used by the US administration to press Japan and Germany into relaxing their monetary policies, while still cajoling the Federal Reserve to lower US interest rates, too. If the US is relatively indifferent to inflation, however, it should be forced to keep the costs of that preference at home, something the weak dollar will ensure.

First requirement

In short, the first requirement of any sensible co-ordination process is that it should be symmetrical. Equally important, however, is the requirement that fiscal policy be engaged. Suppose, for example, that a large increase in the fiscal deficit – as in Germany today or the US under President Reagan – makes necessary an appreciation of the real rate of exchange. The central banks of the countries directly affected cannot be expected to allow that appreciation to occur via inflation, even if that is what is the requirement of nominal exchange rate stability demands.

Expectations must be modest. None the less, a meeting could be useful if it is used to discuss the possible collective response to a war in the Gulf and remind both the US Treasury and the German Bundesbank that their respective exchange rates should be elements in determining monetary policy. The German government should also be reminded that allowing the fiscal deficit to take the strain of unity is creating severe problems throughout the rest of Europe.

French headache

None of this is likely to do much to alleviate the French headache. German union is a large real shock. Its effect has been to raise both the real rate of interest and the needed real rate of exchange. Under floating exchange rates this would have meant an appreciation, as has, indeed, happened for the D-Mark *vis à vis* the dollar. Under fixed exchange rates, however, the required real appreciation should occur via a rise in the German price level relative to that of the remaining members of the exchange rate mechanism.

If the EC had a central bank, it would presumably react to the shock by letting German inflation rise above its long-run target, while that in the rest of the EC would fall below it. If the Bundesbank were that bank, it should let German inflation rise above its target of about 2 per cent for the required period of adjustment. G7 co-ordination might seem an effective way of persuading the Bundesbank to let that happen.

In practice, however, there seems to be no need for persuasion. German inflation is already well above 2 per cent, while that of France, though impressively low, is above the German level. Thus the monetary policy being imposed by the Bundesbank is not inappropriate for the EC. It is merely uncomfortable. Yet it is no bad thing for the rest of the EC to endure such discomfort during what is, in effect, a prolonged trial marriage. Only by experiencing the consequences of marriage now, can the parties discover whether their marriage is likely to avoid ending in a messy divorce.

New structures in banking

VIRTUALLY all of the world's large traditional industries – steel, shipbuilding, textiles and others – have gone through a major restructuring in the last two decades as changing markets have caught up with surplus or outdated capacity. It was a painful but necessary process.

Today it is a different industry – banking – which is suffering from the same problem. The increasing signs of strain among many of the world's largest banking communities can be traced directly to the pressures of excessive competition. Too many banks are chasing static or shrinking markets, and the time may have arrived when their number should be reduced.

The case for culling banks needs to be carefully argued, since any reduction in competition would act against the interests of the consumer of banking services. And mergers of banks are not popular because people do not like to see banks becoming bigger and more powerful. But there is a wider public interest at work here. Very few large banks earn an acceptable return on their capital, and some of them are worryingly weak, as the large number of credit downgradings this year testifies. Unless the banking market is brought into better balance there could be disasters which impose a heavy cost on society at large.

Hard exit

Ironically, many of the banking industry's problems arise from the very measures that society has taken to protect itself against bank failure. The tight regulations which control entry to the banking market make it hard for anyone to effect an easy exit. The number of banks, therefore, continues to rise inexorably. Meanwhile, banks which operate in the market have to comply with demanding capital ratios which force them to take greater risks in order to earn the necessary returns.

The answer probably does not lie in relaxing banking regulations, particularly when the world's banking system has shown itself so prone to mistakes. Banking supervisors are similarly right to be cautious about easing capital ratios.

The simplest solution – hinted at recently by no less a figure than the chairman of the NatWest Bank – would be to allow more banks to fail. But wrenching adjustments would not be acceptable in a business which depends so heavily on public trust and confidence. Besides, failure would also wipe out the very capital which the banking industry badly needs.

Preserving capital

Since the problem is more one of too many banks than too much capacity, the most practical solution must lie in mergers. Such combinations would reduce the number of banks while preserving capital. If this worked according to plan, the result would be fewer banks and less competition. This would help restore banking margins to economic levels and permit banks to earn a proper return on their capital once more.

This process has already got under way in a number of smaller countries: the Netherlands, Denmark and Norway have all seen major restructurings of their banking industries this year. But it applies to larger countries as well: Japan has produced two very large bank mergers, and there is frequent speculation of a possible merger of leading New York banks.

More needs to be done. Doubtless, the emergence of a single market in the EC will encourage consolidation, and the steady relaxation of barriers to inter-state mergers in the US will help shrink the huge number of banks in that country. The stock market will also play its part: it will identify weak banks and put pressure on their managements to take action or accept merger approaches.

Given the public interest dimension, it may also be necessary for the banking authorities to encourage consolidation, though they would have the task of persuading governments that such changes were both necessary and desirable. The important point is that the restructuring of the banking industry should happen in an orderly fashion and not be forced on the market by pressures which have got out of control.

As Moscow's heavy hand of central control crumbles, something is stirring in the Soviet provinces. On the first of a series of visits to the Urals town of Perm, **Quentin Peel** finds inhabitants stumbling towards a market system

Life amid the industrial ruins

Moscow today is a city of pessimism and confusion. Nobody really knows any longer who is in charge. One day President Gorbachev issues a decree, and the next day it is ignored. One day the Russian parliament passes a declaration of sovereignty, the next it is clear that no one can enforce it.

In September, the Russian parliament approved a drastic 500-day programme for transition to a market economy. In October, the all-union parliament watered it down; its authors declared it unworkable, and warned that hyperinflation had already begun. Yet the plan is on the table and, *faute de mieux*, is being put into effect in dribs and drabs.

Moscow is not the Soviet Union. The Tsars in the Kremlin, be they Boris Yeltsin or Mikhail Gorbachev, are many miles, and hours of barely audible telephone calls, removed from the real life of the Soviet provinces. What is happening out in the sticks?

The truth is that as the heavy hand of central control has crumbled, something is very definitely stirring. Politically, the provinces may be months behind the passions of the capital. Economically, however, they may represent the only way to rebuild the shattered economy, stumbling to a market system over the ruins of the central plan.

Take Perm, the last great city of Europe before the Ural mountains. It boasts most of the Soviet squalor which Stalin left behind. Gigantic defence factories dominate its industry, huge secretive plants in decaying buildings, still churning out everything from missiles to aircraft engines for a declining military superpower.

All the vast mineral wealth of the Urals has been channelled into heavy industry, metallurgy, engineering, petrochemicals, paper mills and an oil refinery. There are no consumer goods.

Where once the Urals cities were the pride of Soviet power, they are now the symbol of its poverty. The state shops are empty of food at anything approaching official prices. Consumer goods are on sale in Tsum, the central universal store. But the quality of coats and shoes is so poor that nobody is buying, even with roubles to burn.

There is cheap perfume, but no shampoo. There are queues in the street for bread, and mini-riots for vodka and cigarettes. Disposable western razors sell for Rbs3.50 for five, and video cassettes for Rbs100 – £100 at the old official exchange rate, £33 at the new.

"The only decent meals the workers get each day are in their factory canteens," says Rudolf Mingalyov, general director of the Permskoye poultry farmers' association. His chickens never make the shelves of shops. Yet Perm is looking for business. Perm is talking about privatisation. Perm has had about enough of Moscow-rule, and is touting for trade.

Andrei Klimov is 36 years old, an academic economist by training. Now he is a businessman, part-banker, part-politician, part universal salesman. "The night they published the new law on commercial banking in Moscow, Andrei never slept," according to his wife, Olga. "He could not wait to begin."

Grandfather Klimov was a commercial banker in Perm in the 1920s, under the New Economic Policy of Vladimir Lenin, the last time the communist system tried to liberalise. The bank disappeared when Stalin re-imposed absolute state control, and now Andrei is determined to revive it. He has also set up a business consultancy, KUB, made up of his old friends from Perm State University. Their plan is to tell the tired old state enterprises how to learn to live in a market system, for hard cash. And to sell their knowledge of the Soviet system, and their contacts, to foreign investors.

Last month, Mr Klimov, chairman of the regional committee for economic reform, was off to Japan, trying to persuade industrialists to invest in his region. Next month, he is organising a big exhibition in Moscow. His conviction is simple: "We cannot pull ourselves out of the swamp by pulling our own hair", he says. "We need help."

He enthusiasm is infectious: "The geographical position of the region is outstanding. From our port on the river Kama you can reach five seas. There are lots of defence enterprises, with high technology. During the process of conversion, it is possible to reconstruct these plants for civilian use.

"We have a chemical industry, with ample oil and gas. We have great forests here, and produce one-fifth of all the paper in the Soviet Union. We have all the minerals of the Urals. The workforce is skilled, and it is stable. What more can you ask?"

Yet the difficulties are daunting. For any foreign investor coming to Perm faces two serious obstacles. First he has to find a foothold in the collapsing command system of the old economy; and then he has to tackle the huge psychological barriers to the very idea of a market economy, let alone western management techniques.

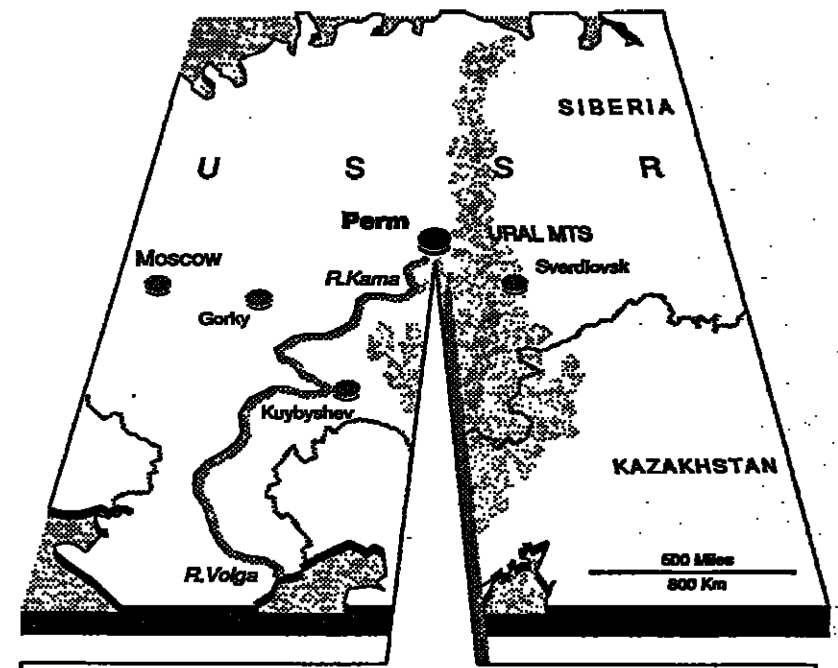
Not only that. He has to find out where power lies in a huge province which used to be ruled by the Communist party *obkom*, the regional committee, and now teeters uneasily between party, elected soviets, factory bosses and the security forces of the police and the KGB.

Mr Yevgeny Sapiro, deputy chairman of the regional executive committee, is another home-grown economic reformer. He immediately admits that the chaos in Moscow causes problems. "We have a good Russian proverb", he says. "When two lords fight, the peasants are the first to lose their hair."

Now he is trying to work with Moscow's two economic programmes, the 500-day programme of the Russian parliament, and Mr Gorbachev's "general directions".

"We take for granted everything which coincides between the two," he says, "and which may be translated into reality at the local level. That means first of all privatisation, some aspects of financial stabilisation, and then promotion of foreign economic activities, trade and investment."

The result has been the drafting of a first programme for privatisation – modest in the extreme, but still a start. The first job, still under way, is to draw up a complete inventory of property – who owns what today. The second task is to try to attach a value to those properties, in a society which has destroyed the meaning of value. Both tasks could take years.



- Perm is the eastern-most city in Europe, and a major industrial centre.
- Population 1.1m; it is an important rail junction between European Russia and Siberia, and port on the Kama river.
- Defence industries account for 70 per cent of manufacturing production.
- The city has an oil refinery, petro-chemical plants, paper, printing and furniture works.
- Resources in the region include oil and gas, coal, iron ore, chrome, copper, lead, zinc, gold and other minerals.
- The climate is continental, with temperatures ranging from -19°C in January to +18°C in July.
- Perm has a university and six institutes specialising in engineering and defence.
- There is very severe pollution from heavy industry.

Then a list of priorities has been set by the regional executive. Top of the list comes land, to be sold to fledgling farmers to boost food supplies. But the question still remains whether the giant old collectives and state farms will be prepared to sell any decent land, and share their monopoly on services, with new kulaks.

Second priority will go to small industrial enterprises, in the hope of boosting production of consumer goods for the local market. Third come shops, restaurants and cafes.

Finally, the council proposes to sell off apartments to their occupants – with great trepidation, not least because of the housing shortage.

"Socially, it may be very destabilising," he says. "Mrs Thatcher may sell council houses, but we are playing on different battlefields. I wish she had our housing shortage. Then perhaps she might understand."

Sergei Levitan is a radical deputy campaigning for faster privatisation. For a start he wants all workers to be given their flats free if they have worked a minimum time for their enterprise. As for sales, he knows they may be few and far between.

"I think it would be very naïve of us if we think people living in flats, paying very low rents, will rush in to pay a large sum of money. We must raise the rents so that they cover at least the maintenance costs. Then we must allow a property market."

What about big business and foreign investment? In attracting foreign investment, Perm is severely hampered by its own traditions. For the huge defence sector is probably the last that will move into the market economy. It also remains chronically secretive about the technologies it may have on offer.

"The main difficulty on our way to a market economy is the structure of our industry", says Sergei Kalyagin, a Perm deputy to the national parliament. "We have too many big enterprises connected with the defence industry. For years they have been subsidised by the state. They have never known difficulties with their supplies, and their raw materials. Psychologically they don't understand the need for a market economy."

At the huge Dzerzhinsky factory, where the directors confess to manufacturing fuses for explosives and mechanical saws for the civilian sector, Mr Valentin Kuchin, the chief engineer, seems to prove the point. Although the place is obviously teeming with electronics and radio engineers (he is one himself), he will only hint at its technological competence.

As for operating in a market, why bother? "All our production is covered 100 per cent by state orders." What if some vital spare part for the mechanical saws is not supplied, what does he do to find it? He does not understand the question. "We simply tell our customers we regret any delay, but we are sure the plan will be fulfilled by the end of the plan period."

The same legacy of secrecy (Perm was a closed city to foreigners until 1989) applies to the mining industry. Statistics for minerals such as coal, oil and gas, as well as potash and soda, are freely published. Anything sensitive, such as titanium, or even gold and diamonds, is still treated as classified information. The pity is that those are probably the products which might attract large-scale foreign investment. "We are ready to consider concessions in some fields, but not in all", Mr Klimov says.

Inevitably, the overwhelming shortages in the region are at the centre of Perm's hopes for foreign trade and investment. So is anything which might attract hard currency, like tourism. Mr Klimov believes that even Stalin's abandoned camps for political prisoners, dotted all over the region, might attract western visitors.

The one joint venture already set up, Telur, manufacturing basic telephone sets with Spanish parts, illustrates both the problems and the prospects. The telephones produce no hard currency to pay for imported parts – so the joint venture has leased part of a local cement plant. There it manufactures high-quality cement which it supplies to western construction firms in the Soviet Union for hard currency. That pays for the imports. It's mad, but it works.

The last question is whether the old guard will try to stop the pace of change. There is no doubt that many factory managers, especially in the defence sector, are deeply opposed. As for the party, there are slogans on the old houses around the town demanding the resignation of Mr Yevgeny Chernishov, the party first secretary. He sits in isolated splendour in the huge party offices, a stone's throw from the new power centre in the regional soviet.

"I don't really know what I'm going to do," he says. "I cannot guarantee there will not be riots this winter. My time is nearly over anyway. Now you mention it, perhaps I will become a businessman."

OBSERVER

Poor people of Paris

■ France under President François Mitterrand has repeatedly indulged an apparently insatiable appetite for hosting international conferences.

The aura of national self-glorification, never far away, is now at an all-time high with the pan-European summit in Paris.

It has attracted 11 foreign heads of state and 27 heads of government. The pomp will peak tonight at a gala dinner and ballet at Versailles, taking Mitterrand's semi-regal pretensions to new heights.

The trouble is that French ambitions have finally outstripped the facilities available. The so-called international conference centre on the avenue Kleber is far too small for such a gathering.

To accomodate all the visitors a new building has had to be constructed in the street outside.

The event has attracted several thousand journalists from the international media. They have had to be dispersed to various make-shift centres in other parts of the city where their working and communications facilities are barely adequate for even a few hundred.

The written press has been consigned to a inconvenient theatre in the avenue Wagram. The press kit provided includes a number of historic documents, such as the 1975 Helsinki Final Act, but only in French. It does not include a list of the delegations. And the omission is hardly compensated by an advertising brochure for a Paris department store. One would think that the French government wished to prevent coverage of its pomp and circumstance.

The contrast with the recent European Community summit in Rome could not be more striking. Ten times as many telephones were laid on for the Rome summit as are to be found at today's Paris summit. And in Rome journalists were provided with tailor-made reverse-charge cards for direct dialling.

The French boast of their technological brilliance in telecommunications, but they seem determined not to show it off in Paris this week.

Inside track

■ David Hale, chief economist at Kemper Financial Services, has climbed an important rung on the profession's ladder of prestige.

He has won the William F. Butler Award as the outstanding business economist of 1990 – dubbed the "Fed-feeder award."

Bestowed by New York Association of Business Economists, it is much-prized, and a sure sign-post towards high office in the US. Previous winners have included Alan Greenspan, now chairman of the Federal Reserve, and Paul Volcker, now chairman of investment bankers James Wolfensohn.

Greenspan, however, need not have any immediate fears. The young Hale, though working as a Pentagon consultant on Japan and defence, swears he is not pitching for a government job just yet.

Gold plates

■ An off-beat but potentially valuable economic indicator will be seen and heard at Christie's London saleroom next month.

The occasion is another auction of old and unusual car registration numbers. The first one raised £2.1m for the Exchequer a few months back before the recession began to bite.

The question now is whether hard-pressed businessmen will follow the example of TSB chairman Sir Nicholas Goodison. He will definitely *not* be

"I thought you were going to abstain".

authorising any bidding for TSB 1 – a plate which, Christie's estimates, will fetch up to £35,000. If TSB doesn't want the number it is hard to see who else would.

A London-based Japanese bank might want to spend Christie's estimate of up to £15,000 on declaring it's chairman's car YEN 1. But, given Tory doctrine, it hardly seems likely that John Major will want to shell out up to £20,000 (Christie's estimate) on TAX IT.

Meanwhile, an uncomfortable reminder of Britain's overseas trade performance can be had in the form of DEB IT – for an estimated £15,000 – £20,000. It is likely that the top money, once again, will be paid by old-fashioned individual egocentrics for such gems as SUS 1E, H1 FLY, 1 ERN, B1 NGO, and, for the green baize brigade, POT IT. They are all expected to be sold within the £10,000-£40,000 range. Christie's is reluctant even to put an estimate on the pick of the bunch, ELV 1S.

I hate to cast gloom on the proceedings. But I believe that there is no chance of a furled pink paper being raised discreetly by anyone from this office in pursuit of the number plate 1 FT – which is to be offered hopefully at between £15,000 and £25,000.

Maxwell miffed

■ The drama over the Sunday Correspondent, the tabloid quality British Sunday newspaper, begins to feel more and more like an opera, with all the tragic overtones.

The cast includes powerful media barons such as Rupert Murdoch and Robert Maxwell, and even former defence secretary Sir John Nott who has been acting as a financial consultant to the paper.

Murdoch is decidedly sceptical about the plan to merge the Murdoch daily Today with the Correspondent. Officially Wapping says that the Correspondent is trying to find a backer for the proposal, and it is awaiting developments.

Meanwhile, Maxwell, one of those who put up the money for the relaunch of the paper as a tabloid, is displeased about the approach to Murdoch. The Correspondent, he believes, should have gone to existing shareholders – such as The Guardian or himself – first. If a merger with The Guardian is not on then there is another option for the Correspondent – a merger with Mr Maxwell's pet project The European.

Although the Sunday Correspondent has put on more than 100,000 in sales since the pre-tabloid low point of 140,000 all the signs are that it now needs a minor miracle this side of Christmas.

Swallow hard

■ David Potter, chief executive of banker Guinness Mahon, read my story about the restaurant listing Beajolais Nouveau 1979. He suggests that an Indian restaurant in Plymouth listing "vin rough" may have the same wholesaler.

The former defence secretary says full participation in EC debate is vital to Britain's national interest

Co-operation, not federation

By Michael Heseltine

Britain's place in Europe and her relationship with her partners in the European Community are understandably the subjects of anxiety and debate. But ancient loyalties and national identities are not threatened. While it is hard to foresee exactly how its institutions may develop, and harder still to say what the physical boundaries will ultimately be, there are those who will seek to exploit the discomfort of change, working on people's fears.

One thing is clear. No member state wants to get out; indeed more Efta nations want to join. There are also new generations of British voters who are tired of a political debate conducted in the language of nostalgia. They see their future in Europe and they want Britain to be Europe's leader.

The Community was born of a vision that the divisiveness of European nationalism should never again unleash forces of destruction. But the competitive pressures of a shrinking world market place and Europe's relative ineffectivness in the face of competition from the US and Japan prompted the Community to go further than a mere customs union.

We decided to create in the Single European Act a home market large enough to promote competition and enhance international standards. Thus the British government agreed to share sovereignty on a scale without precedent: not to reduce our influence but to extend it.

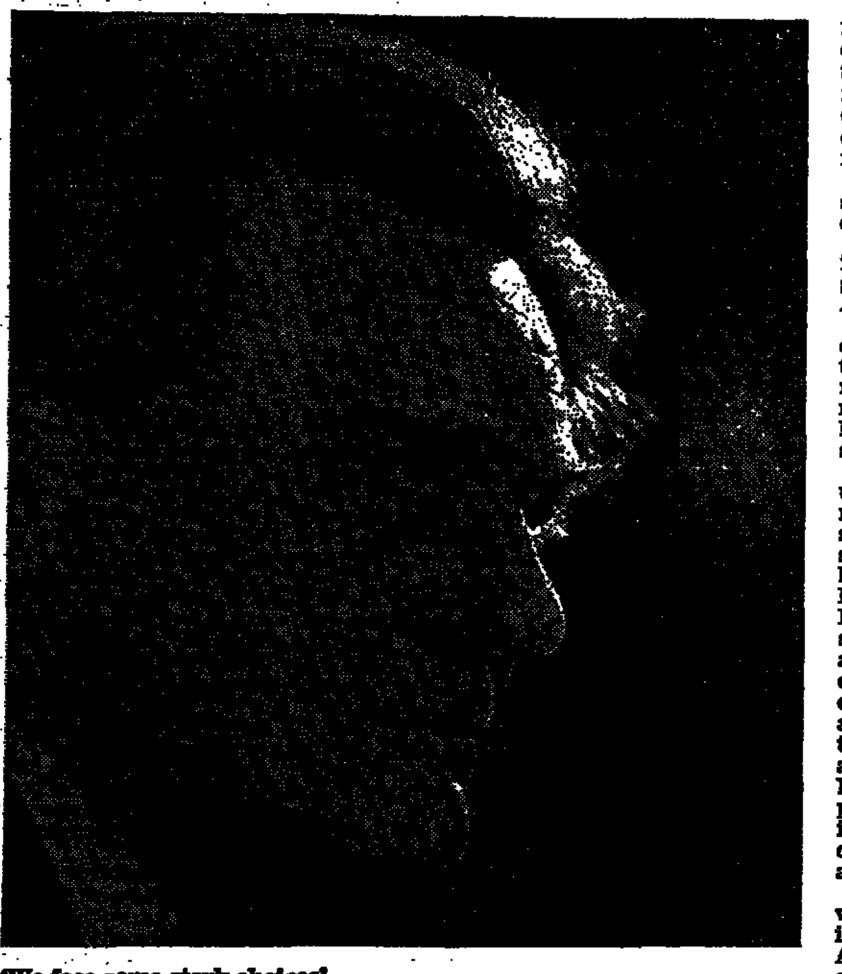
But there is a risk we would be foolish to ignore: a two-speed Community in which the enthusiasts drive ahead and the rest of us are dragged along behind. I could never accept such a two-tier approach. There will be those setting the rules and, by the very strength of their economy, dwarfing the remainder. We have to be part of the core of power, not on the periphery.

In practical terms each country retains a wide discretion of action. The rhetoric of continental political cultures is very different from the more matter-of-fact approach of our own, but we should not be fooled by it: increased political co-operation certainly, but not political federation.

We advance only by consent, in the pursuit of self-interest. No other journey is sustainable.

No one is forced to become a member of the "club of Europe". Not all can be accepted. There are rules to be followed. To influence the rules you have not only to sit at the table, you have to persuade your fellow members. Membership need not be forever. Joining does not remove the right to leave. But if you leave, you leave behind the privileges that first attracted you.

A strong and competitive free-trading market provides the most effective means of enabling free people to satisfy their wishes and needs. Britain can make a distinctive contribution. We can, for example, push our partners into extending privatisation. We can aid the Commission's campaign against government underpinning of nationalised industries and other barriers which distort free markets.



'We face some stark choices'

When the original Six established the Community it reflected their own national self-interests. Britain stood apart. As Rab Butler once said: "We just thought it wasn't going to work. We were wrong!" We allowed Germany and France to mould agricultural arrangements to their advantage, not ours, because *we* refused to participate. We cannot afford to make the same mistake. The consequences for the City of London are critical to our national self-interest.

We face some stark choices. Are funds to flow to Frankfurt or Paris and industrial investment to the Continent rather than here?

Are we to cling to our own industrial standards and watch them eroded by those agreed by the Community, or are we to join actively in devising Europe-wide standards?

The wind and the tide know no man-made frontiers, so are we to remain indifferent to the environment of others, hoping we will be unscathed? When the world is searching for international co-operation in environmental protection, British experience should be at the forefront in creating the European model.

- We can share the exploration of space or we can leave the race to others.
- We can sustain a civil aviation industry in European partnership, or go out of business and leave it to the Americans.
- We can pool our research and development programmes, to keep them credible in the face of ever-mounting costs of technological research, or we can try to go it alone. How many programmes can Britain sustain alone?

At the heart of the debate is a failure to understand how the Community works. It is a group of nation states, sharing sovereignty in the pursuit of collective self-interest, not a hidden plot to impose centralised European federalism. I do not believe President Mitterrand will transfer the substance of power from the Elysée to a centralised bureaucracy in Brussels, or that Chancellor Helmut Kohl will exchange his country's newly-achieved sovereignty for that of a distant European parliament. Just try and draft the election speech in which he commends it to the German people! The truth is that the Community is a *political* market place – a process of wheeling and dealing – as well as an economic market.

There is one area, however, with which we must deal and that is the issue of democratic accountability. And we must avoid alienating the several national parliaments. I would like to see national parliaments drawn directly into Community decisions by sending representatives to a second chamber: a "senate" of Europe. The people would continue to speak through the elected MEPs.

There are areas where the more effective management of Community resources demands more scrutiny by the European Parliament. But this is not an argument for an all-powerful centralised superstructure. I do not believe that the substance of European political decision-making will shift from the Council of Ministers.

On the economic front, few would dispute that in the post-war world it has been the Bundesbank which has set the inflation standards to which we should aspire. The process has to be a national one, with convergence evolving out of the proper management of each domestic economy. The most certain way is for the Bank of England to enjoy the status of independence bestowed by law on the Bundesbank and to associate on equal terms with the other European central banks. For any European central bank must, in effect, be a court of national central bankers. The control they would exercise over exchange rates will be similar to the discipline Britain accepted under the post-war Bretton Woods agreement. If national governments accept the disciplines nationally that are replicated in a European bank, allegations of infringed sovereignty – while not to be set aside – mean less.

A single currency becomes a practical option only when exchange rates become fixed. If we can manage that, the customer will speak. For who would accept the distortions and cost of volatile currencies? Either a new currency would rapidly achieve common usage or the most widely used national currency would dominate.

No one believes that economic and monetary union is an experiment lightly to be indulged in. Better to travel – in safe stages – and arrive, than collapse half-way.

There is a risk we would be foolish to ignore: a two-speed Community in which the enthusiasts drive ahead and the rest of us are dragged along behind

The alternative is the increasing dominance of the D-mark. A single currency does not need to abolish "national" currencies. Currencies can have a common value without needing a common name. Following internal revaluation and the exchange of existing currencies for new, we could have Ecus with a different name. In other words a new pound, a new franc or a new mark would all be Ecus.

The way to approach what is happening in Europe was set out by Winston Churchill as long ago as 1948. He said: "I have found it is often a mistake to try to settle everything at once. We know where we want to go but we cannot foresee all the stages of the journey . . . We ourselves are content in the first instance to present the idea of a united Europe in which our country will play a decisive part as a moral, cultural and spiritual conception to which all can rally, without being disturbed by divergences about the structure."

Those words combine both the vision and the pragmatism that I believe the people of Britain want their leaders to display today.

Managing demand

The case for a tax on credit

By Iain Begg and Martin Weale

Britain's seemingly insatiable appetite for credit has revived debate on the merits of direct credit controls.

This question is likely to become more pressing now that the UK has joined the ERM. The interest rate must now be set to keep the exchange rate in its band. Any other means that the chancellor has of persuading the markets that he intends to restrain demand will reduce the need for today's high rates. And if the exchange rate were to strengthen, the chancellor might well be forced to reduce interest rates at a time when domestic monetary conditions made this inappropriate.

Direct credit controls require an apparatus which may well be impossible to achieve with modern financial markets, especially with the increased capital mobility that will be engendered by "1992".

An alternative to high interest rates is required. A means is needed of making credit more costly to the consumer without imposing a punishing burden on industry. Any new approach must be effective, yet avoid creating distortions of the kind that credit controls do. Our suggestion is to levy a tax on credit.

Outstanding debts could be taxed, but this creates all sorts of difficulties. A stamp duty could be charged on new borrowing, but the treatment of trade credit and overdrafts would be complicated.

These difficulties are avoided if interest payments are taxed instead. The most straightforward way to do this is to make interest payments subject to value-added tax.

This would have a number of advantages as a means of credit restraint. First, it would raise the cost of consumer borrowing without affecting business finance. Businesses would be able to treat it as an input on which VAT paid out could be reclaimed and would thus face no penalty. Second, there is already an established mechanism for collection of VAT, so that there should be little problem or cost in collecting and administering the tax. Third, the loophole of borrowing from abroad, one of the most obvious weaknesses of direct credit controls, would be closed, since VAT is payable on all imported goods and services (but zero-rated on exports, so that exporters would not suffer).

The imposition of VAT on credit would not run into the main problem faced by traditional control, that of evasion. In the conventional system it was to the advantage of both borrower and lender to find a way round the controls. But with VAT on credit, the lender would have every reason to collect the tax. The courts could not be expected to enforce debts which did not comply with the law, and so a lender who did not collect the tax would not be able to seek redress in the event of default.

VAT on credit would mean that if consumers chose to continue borrowing regardless of cost, there would be a substantial flow of tax revenue into the Exchequer. The money taken out of the economy by the tax would help to offset the inflationary impact of the increased borrowing. In 1989, consumers paid £29bn in interest. If VAT covered 50 per cent of such payments, then, allowing for some discouragement to borrowing, the tax would have raised an additional £2bn for the government.

Given the present method of calculating the Retail Price Index, it is true that the imposition of this tax would have a one-off impact on inflation. However, such a move, with its restraining effect on demand, might itself create the opportunity to reduce interest rates. This would mitigate any effect on the Retail Price Index. In any case, the tax need not be universal.

Mortgages, for example, might be exempt up to a capital threshold of, say, £50,000. This would reduce the impact on the Retail Price Index, but would not affect the ability of the tax to discourage other types of borrowing. Businesses too small to register for VAT might be similarly exempted.

Though there would be these details to sort out, the advantages of a system which exerts a brake on consumer credit while avoiding penalties on business are obvious.

The authors are in the Faculty of Economics and Politics at Cambridge University

LETTERS

Significance of EC's agriculture offer

From Sir Michael Franklin.

Sir, The US secretary for agriculture, Mr Clayton Yeutter, may be right in thinking that the EC's laboriously negotiated offer on agriculture in the Uruguay round of the General Agreement on Tariffs and Trade "would be rejected out of hand by the US Congress" ("US warns on farm reform plan," November 14).

It was by any standards other than those of beleaguered farmers a modest offer. How much further the Community can be pressed to go in the course of negotiations over the next few weeks remains to be seen. But there cannot be much flexibility given the immense difficulty the Commission had in persuading the member states to go as far as they did.

The apparently large gap between the EC's proposed 30 per cent cut in support and the 75 per cent proposed by the US is unlikely to be the most difficult part of the negotiation. By dint of playing with the base period and the number of years over which the commitment is spread, some compromise should be possible.

Whatever cut is agreed this time round can lead to further negotiation in the future. The winding down of agricultural support will have to be spread over more than one Gatt round, as was the process of reducing industrial tariffs.

The crunch will come in two areas: export subsidies and import access.

Whether because they don't subsidise their own exports, or because cynically they don't export at all – Japan, for instance – all other countries have lined up behind the US in pressing for a bigger percentage cut on export subsidies than on other forms of support.

It is hard to see the EC conceding on the principle, but it ought to be possible to write in disciplines which bind the EC on the way export subsidies are used and perhaps limits on the quantities which can be subsidised from public funds.

On access, the problem is two-fold. The EC has offered to take only a cautious step towards converting the variable levy system into a less protective form of tariff and has made even that conditional upon US agreement to introduction of additional border protection on EC imports of oilseeds and cereal substitutes.

Even though this deal could be of net advantage to the US if it was accompanied by adequate reductions in the EC domestic subsidisation of oilseeds, it is unlikely to be politically saleable in the US or to the developing world.

It would be a pity if this led to withdrawal of all attempts at "tariffication," however small.

Some exposure to world market fluctuations, whatever the cause, is essential if the frequently expressed wish of the Community to make the Common Agricultural Policy more market oriented is to have any meaning.

It will be a tough negotiation, but it would be a great pity if the US walked away from the chance to bring the world's agricultural support system, including the CAP, under international regulation and the chance to begin, however modestly, the process of exposing EC agriculture to external market forces.

During the Kennedy Round in 1966, the US turned down an EC offer to bind its agricultural support at the then current level because it did not seem enough. With the benefit of hindsight, this was a mistake. Let us hope it will not be repeated this time.

Michael Franklin,
15 Galley Lane, Barnet

Determining the debatable value of money

From Professor Ivor F. Pearce.

Sir, We should all be grateful for Tim Congdon's warning ("Why a parallel currency is a contradiction in terms", November 14) that the minimum qualification for anyone planning reform of the European monetary system should be a more than nodding acquaintance with some tested principles of money and banking. He does, however, make some questionable statements.

At the heart of Mr Congdon's argument lies a claim that, because bank notes are legal tender, central bank liabilities taking the form of bank notes are – by law – always worth their stated value. The meaning of the expression "legal tender" is assumed to be that form of money which cannot be refused in the settlement of debt.

I am surprised to learn that the British pound sterling enjoys a stated value. I would have supposed that the nearest thing we have now to a declared value of the pound would be the retail price index which seems to indicate that the value of the pound is a lot less than the value of 1lb of silver that it once was "declared" to be.

I would be surprised also if the mere declaration that a banknote should be "legal tender" could alone ever confer a value upon that note. A creditor accepts a note because the debt is designated in units of account which are losing value as fast as the note and because the note is more useable to buy things than the debt.

Similarly, a note is acceptable in payment for goods as long as the seller is free to fix the price of the goods he is offering in accordance with his judgment of the value of the money he is accepting.

The words "legal tender" mean nothing unless a price is fixed at which the exchange under duress is to be imposed.

There never have been, and never will be, sustainable stable prices and stable exchange rates between various monies until money itself has a cost of production, as did gold; or until those who produce paper money can be called upon to deliver goods of equivalent predefined value whenever they produce too much of it.

Ivor F. Pearce,
department of economics,
University of Southampton

CORRECTION: Tim Congdon's article included the sentence "Companies are bust if they have no money in the bank; banks are bust if they have money in (or claims on) the central bank; but the central bank cannot go bust." The second clause should of course have said "banks are bust if they have no money in the central bank".

Farmers and the free market

From Mr Tim Roseby.

Sir, David Richardson ("The free-traders' flawed ideology," November 13) is right to be concerned about the future of farmers and farming. I question, however, his prescription.

The Uruguay round of the General Agreement on Tariffs and Trade in relation to agriculture is not "flawed and unrealistic". The aim of the negotiations is to define properly the objective of agricultural policy: that is to produce clean, healthy food from a sustainable resource base in the most efficient and cost effective way, and to apply appropriate policy instruments to achieve this objective.

The difference between the administered price and the world price is a welfare payment to farmers. I suggest that if we want to pay welfare to farmers, the mechanism for doing so should be through appropriate rural development policies which are quite separate from agricultural policy.

Will farmers in the UK be better off through the application of supply controls? These simply lock the small struggling farmer into a poverty trap – there is no prospect for expansion or enterprise. Larger, more efficient farmers cannot take advantage of their scale of operation.

Mr Richardson claims that the concept of a free market is idealistic and that few farmers can survive at world prices. The members of the Cairns Group (accounting for 240m people) and others have managed to do so for some time in spite of the immense difficulties imposed upon them by EC and US policies.

Does Mr Richardson really think that if we allowed farmers to farm more efficiently, with less regulation and in an environment where they could realistically seek to cut their costs in order to preserve income, farmers would disappear "in droves" and that "production would decline"?

Evidence on the advantages of competition and improved efficiency in any sector we care to look at suggests otherwise.

Tim Roseby,
counsellor (agriculture),
Australian High Commission,
Australia House,
Strand, WC2

FINANCIAL TIMES
Tuesday November 20 1990

Pru-Bache fined for breaking NYSE rules

By Patrick Harverson in New York

THE New York Stock Exchange has imposed a record fine of $750,000 on Prudential-Bache, the US securities house.

The fine, for violating NYSE rules and federal securities laws, was announced yesterday along with details of disciplinary action against four other member firms and 28 individuals under the market's tighter enforcement regime.

The cases will automatically be referred to the Securities and Exchange Commission, the main US financial regulatory body, which will consider informing the attorney-general's office for possible criminal prosecution.

Pru-Bache, without admitting or denying guilt, consented to NYSE findings that between 1984 and 1988 it had broken rules relating to "essential financial and operational responsibilities of a brokerage firm, including net capital and reserve formula computations and possession and control of customer securities". The firm also accepted that it failed to supervise and control "vital" areas of its business operations.

Several violations stemmed from its failure to ensure that its computers could calculate accurately weekly reserve and net capital totals. The firm had been advised on at least eight occasions in 1986 that its computer capabilities did not provide for accurate and timely allocation of securities.

The firm also consented to a finding that it had failed to exercise sufficient supervisory authority over a trader on the stock exchange floor who had previously been disciplined at another firm for rule violations.

Among other violations, Nomura Securities submitted inaccurate financial reports to the exchange and customers and did not properly supervise or control its business activities. It was fined $180,000.

The other three member firms censured and fined by the exchange were Butcher Corporation (fined $125,000), Sterne, Agee & Leach ($40,000) and AT Brod & Company ($7,500).

Among the 28 individuals disciplined, seven were barred from the stock exchange, including one who was found to have misappropriated at least $10,000 from his member firm through fraudulent lunch receipts submitted over a 20-month period. Another individual was barred for the misappropriation of customers' funds.

Pru-Bache said the disciplinary action represented a "resolution of certain issues involving inadvertent violation of technical record-keeping rules." The firm said the failings in its procedures identified by the NYSE had been remedied, adding that none of the problems discovered by the exchange involved its dealings with clients.

The NYSE announcement brings to 161 the total of disciplinary proceedings brought this year by the exchange, which expects to top 200 for the full year, against 119 last year and 58 in 1988.

The number of staff employed by the enforcement division has increased from 40 in 1987 to 130 today, said Mr David Docherty, senior vice-president for enforcement at the NYSE.

He said the rise in cases was a result of a "stepping up" of the exchange's enforcement efforts, adding that a stonger enforcement programme was essential to deter rule violations and retain the confidence of investors in the market.

Markets, Section II

EC finance chiefs reach accord on VAT

By Lucy Kellaway in Brussels

EUROPEAN finance ministers yesterday reached agreement in principle on how to collect Value Added Tax (VAT) within the Community once frontiers are removed in 1992. But they ignored an urgent plea from businesses to reduce the administrative burden of the proposed system.

Officials from the commission and from member states admitted that the paperwork for businesses in some countries might increase marginally under the new collection system, but pointed out that it would allow companies to dispose of 60m customs forms filled in each year for intra-EC trade.

Businesses have complained at the requirement to collect quarterly information on all intra-EC trade, broken down by customer. Both Unice, the club of big European companies, and the British Institute of Directors have complained formally about the plans.

The UK declined to give its full support to the proposal until it had further reassured its businesses. However, Mr Francis Maude, the UK minister, expressed confidence yesterday that the proposal would not lead to unacceptable burdens on companies. He said he hoped that the UK would sign up soon.

Other member states also had concerns about the arrangement. West Germany is worried that the sharing of information between tax authorities in member states could breach its tight data protection laws.

Portugal lost its battle to allow member states to continue to be able to use individual documentation to go with every consignment of goods. The final text of the agreement rules this out, and so Portugal has refused to grant its full support.

These matters are expected to be smoothed out by the next meeting on December 3, when the proposal is expected to be agreed formally.

All member states agreed on the urgency to act quickly, to allow businesses and tax authorities to make the necessary changes to their systems before frontiers can be lifted by 1993.

The agreement was hailed by the Mr Rino Formica, the Italian finance minister and president of the council, as a vital step towards integration.

VAT has been one of the most difficult matters on the single market agenda. The proposals agreed yesterday are only for a transition period, but they are a far cry from the original proposal which would have collected the tax at a single rate across the community in the same way as it is collected in a single country.

No agreement on investment, Page 2

East German companies 'facing collapse'

By David Marsh in Bonn

THE BONN government fears that many east German companies which specialised in exporting to the Soviet Union and eastern Europe could approach collapse next year as "soft currency" payments arrangements are put on to a D-Mark basis.

Because an estimated 15 per cent of east German industrial jobs depend on Soviet orders, the difficulties faced by the region's shipbuilding and machinery groups are adding considerably to rising unemployment east of the Elbe.

A strong warning signal about large shipbuilding losses has been sounded by Mr Eckart van Hooven, chairman of the supervisory board of Rostock-based Deutsche Maschinen und Schiffbau (DMS).

A long-standing board member of the Deutsche Bank, he is in charge of the restructuring strategy at DMS, which groups 24 companies from the shipbuilding and related sectors formerly run by the state.

Mr van Hooven says that DMS faces total losses of DM6bn ($4bn) up to 1993, resulting from a combination of the sharp devaluation of the rouble and an increase in the company's debts after the July 1 currency union. About a quarter of DMS's order book comprises contracts for ships for the Soviet Union.

Up to the end of the year, payments for Soviet orders are being made in transferable roubles, the value of which fell from 4.67 East German Marks up to July 1 to DM2.34 in the second half of 1990. Next year, when the bilateral clearing facilities for east bloc trade end, the rouble value is expected to fall to around DM1.56.

Economics ministry officials in Bonn say the government has no plans to step in with budgetary help for companies like DMS. Bonn has taken a similar attitude in turning down export credit aid to help sale of 10,000 Trabant cars to Poland. According to the hard-pressed Zwickau car plant in south-east Germany, some 4,000 employees will be put on short-time from December 1.

The Economics Ministry says east German companies relying on orders from the former communist bloc (which accounted for 40 per cent of the former East Germany's exports) face "a difficult transition phase," with large lay-offs. "There will be a lot of chaos next year," said one official.

The Soviet Union's shortage of D-Marks for payments for east German companies could cause a severe shrinkage of trade next year unless new arrangements are found fast. Ironically, the Bonn ministry, which in the past has tried to lower the amount of compensation trade with the east bloc, hopes that companies will arrange more barter deals with the Soviet Union to help it surmount its currency problems. Wood, energy products and ammonia are all product s which the Soviets could export westwards in exchange for east German goods, officials suggest.

Bush ready to send food aid to Moscow

By Peter Riddell, US Editor, in Paris

PRESIDENT George Bush publicly acknowledged for the first time yesterday that the US was willing to consider emergency food aid for the Soviet Union this winter if shortages develop.

US officials have become increasingly concerned about the deteriorating economic situation of the Soviet Union and the danger that consequent social and political upheavals would undermine President Mikhail Gorbachev's reform programme.

Mr James Baker, US secretary of state, said on Sunday that the Soviet Union had not asked for US food or money.

The Bonn government last week announced it would this winter provide food aid if needed and has urged other western countries to follow suit.

The US has until now refused to provide direct assistance to Moscow but Mr Bush confirmed the change in approach yesterday when he said that the US "would always be open minded in humanitarian aid if there's a real need there."

"We have certain inhibitions under US law but if there are food shortages, and the US is in a positon to help, clearly we'd want to try. And that's the right and humane thing to do as a country moves towards us and relations are greatly improved."

Mr Bush added that the US wanted to try and help with the evolution of market systems in the Soviet Union. "You also want to help new friends when they're in jeopardy.

"I worry about the Soviet people during the bleak winter coming up if it proves to be as severe as some of the reports indicate."

George Bush: open minded

The legal constraints, holding up the submission of last June's US-Soviet trade agreement to Congress, are the requirement that the Soviet legislature must liberalise its emigration laws before the US can waive the Jackson Banik Amendment which opens the way to reducing tariff barriers.

US officials have also been cautious about supplying food both because they see the main problem as being weaknesses in the Soviet distribution system and because temporary help over the winter would still leave empty shelves in the spring.

Consequently, whatever is decided in providing emergency assistance, the US believes the main importance is in providing technical assistance to improvements in Soviet transport.

Paris arms declaration

Continued from Page 1

the Soviet Union's long-standing superiority in offensive weapons in Europe, and establish new, equal ceilings for east and west.

The 34-nation pan-European summit, which also gathers together the neutral and non-aligned countries of the continent, winds up tomorrow with the signature of a Paris Charter for the New Europe.

Opening the conference, President François Mitterrand of France said: "This is the first time in history that we witness a profound transformation of the European landscape which is not the result of a war or a bloody revolution."

Proclaiming a "glorious day for Europe", Mr Bush paid homage to the courage of those eastern European leaders who had done so much to promote the human rights principles of the Helsinki Final Act.

"Their dreams are being realised before our eyes," he said. "The new democracies of eastern and central Europe have ended decades of repression to rediscover their birthright of freedom."

Mrs Thatcher praised the "fantastic courage" of eastern Europe's new leaders, and urged that Europe continue to focus on human rights.

More sombrely, Mr Gorbachev warned against any premature euphoria.

Clearly referring to nationalist tensions in his own country and in parts of eastern Europe, he said it would be "unforgiveable if we were to rule out the possibility of future grave conflicts".

UK leadership battle

Continued from Page 1

would also mean that more that a third of the parliamentary party would prefer a new leader. In last year's leadership poll, Mrs Thatcher won 314 votes against a total of just 60 abstentions or votes for Sir Anthony Meyer.

Mr Heseltine, who said his support had risen significantly from the 100 votes he claimed as the platform for his challenge, needs 159 today to be sure of forcing a second round of voting.

If he wins that number Mrs Thatcher will face intense pressure from cabinet colleagues to stand down and allow other candidates – notably Mr Douglas Hurd, the foreign secretary, and Mr John Major, the chancellor – into the race.

Mr Heseltine's supporters claimed yesterday that Mrs Thatcher's personal attacks on the former defence minister – she claimed his policies were "interventionist" and "corporatist" – showed that her team was "rattled".

Friends of the former defence minister also attacked Mrs Thatcher's suggestion that the issue of a single European currency might be the subject of a referendum. They cited her public opposition to the then Labour government's referendum on membership of the European Community in 1975.

Mr Heseltine, however, found himself under strong attack from Mr Norman Tebbit and Mr Nicholas Ridley, two former ministers, who said some of his policies were closer to those of the Labour party than the Conservatives.

Leading US accountancy firm to stop trading on Friday

By David Waller in London

AMERICA'S seventh biggest accountancy firm, Laventhol & Horwath, is to cease trading on Friday in what is believed to be the first case of a leading firm closing.

The move is the starkest illustration yet of a serious recession in the US accountancy profession.

L&H refused to comment yesterday on the outcome of a crisis partners' meeting over the weekend, but Stoy Hayward, the London-based accountancy practice which is L&H's international affiliate, confirmed that the US firm would file for protection from creditors under Chapter 11 of the bankruptcy laws.

L&H has been one of the fastest growing firms in the US, with fees rising fivefold over the last 10 years.

Fees for the year to the end of January 1990 were $350m, making it the largest accountancy practice in the US outside the so-called Big Six international firms. It has about 350 partners.

It is thought that over the weekend L&H partners faced a choice between a large cash-call and winding up the business.

The crisis has been caused by a combination of the general economic downturn, high bank borrowings, and drains on the firm's balance sheet resulting from payments made to settle litigation.

Earlier this year, a jury in Houston, Texas, delivered a $37.7m verdict against the practice for violating anti-fraud statutes in connection with the firm's preparation of tax forms and financial statements for a group of limited partnerships.

The firm also reached a reported $30m settlement with creditor banks of Grabill, a client of L&H's Chicago office which filed for bankruptcy.

The firm is also defending itself in litigation over its audit of the P.T.L. Ministry of Mr Jim Bakker, the television evangelist.

Mr Paul Hipps, senior partner of Stoy Hayward, said yesterday that Stoy had "no financial involvement" with the US firm and did not derive a significant amount of business from the US.

He added that it was a matter of some priority to establish alternative representation in the US.

● Nikki Tait in New York writes: Further indications of the troubled state of the US market came yesterday when Spicer & Oppenheim, another large accountancy firm, said that pressures were prompting it to seek a merger partner.

It said talks were being held with several firms, but denied that these constituted a "distressed firesale" of its operations.

Among the accountancy firms believed to be in discussions with Spicer are Grant Thornton, which declined to make any comment on the situation, and Pannell Kerr Foster.

Spicer added that it did not anticipate any imminent announcement about the outcome of these talks, although PKF in London said that it believed it was close to completing a deal to acquire five Spicer offices in the US involving fees of $15m.

These offices are in Chicago, Denver, Houston, Los Angeles and San Francisco.

THE LEX COLUMN

A commercial break from WPP

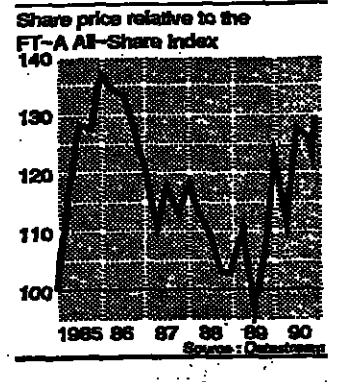
With one brief announcement yesterday, Mr Martin Sorrell joined the advertising industry's roll-call of fallen idols. WPP, the business he put together, was supposed to be different on two counts: the strength of its financial management and the recession-proof character of the packaged goods business. At the first touch of recession proper, the image has gone. Pre-tax profits in the second half of this year will be at least 10 per cent down on last year. They will doubtless worsen further as recession deepens in 1991.

As with Saatchi & Saatchi, the real problem is not earnings but cash flow. Leaving aside sharply rising working capital, WPP has almost £18m a year to pay in preference dividends; next year it will also have to find over £20m for earn-out payments. A company with net debt of £315m, massively negative net asset value and dubiously positive cash flow cannot expect to be popular with its bankers. WPP's debt is medium-term and capped. But its covenants require interest cover of at least 2.5 times. Cover this year is projected at 3.2 times. Next year could be stickier.

After their 29 per cent collapse yesterday, the shares at 279p are on a running yield of 12.7 per cent. On this basis, the market is clearly not confident about a maintained final dividend. If things got really bad further out, WPP might find,like Saatchi, that it cannot afford dividends at all. Like Saatchi too, WPP is rediscovering an old truth about the agency business: acquisitions do not pay.

Prudential Corp

Share price relative to the FT-A All-Share Index



Prudential

Another great name of British insurance is owning up to a strategic blunder. First came GRE, with its curious capers in Neapolitan motor insurance. Now the culprit is Prudential, admitting that its five-year adventure in estate agency, which may have cost it close to £400m, was a ghastly mistake. Nor are these the only recent cases. Quite apart from the ever-watchful Inland Revenue, 1992 or competition from the banks, the UK insurance industry's pressing problem seems to be that there are not enough good managers to go round.

Within the Pru's cloud one can, of course, discern a silver lining. It may not be easy to find buyers at an acceptable price for 500 estate agencies, especially when they seem destined for a £45m pre-tax loss this year. But once the Pru had decided it had no chance of returning the chain to reasonable profit, it would have been foolish to sink more cash into it. What is less clear is where the Pru goes now, given that its distribution in the UK will centre once again upon its 11,500-strong field sales force.

Generations of managers have tried to unlock the sales force's full potential and failed. Though the Pru is probably trying harder now than ever, it could be years before the results are visible, at a time when there may be no more Government-given windfalls like the late '80s personal pensions boom. What surely will not do is for the Pru, having failed with estate agency, to go after a building society, where it would surely encounter similar management difficulties.

Markets

From a Westminster viewpoint, the behaviour of the UK equity market yesterday will have been deeply puzzling. The Tory leadership contest had turned ugly over the weekend and there was official confirmation that the UK recession is already in its second quarter. Yet the FT-SE shot up nearly 40 points by lunchtime.

Much of this was a technical worry about stock lending, although at one stage talk of hostage releases appeared to lower Gulf anxieties. But it remains curious that today's vote on Mrs Thatcher's future is meeting such a passive response. It cannot be that the markets do not care. It must rather be that they cannot figure the angles.

The lack of reaction to the GDP figures is more intelligible. It is risky to generalise, but in the broadest terms, it is natural to expect the equity market to be weak ahead of a recession and to rise in the course of it. In the 1980-81 recession, the FT-All Share rose 35 per cent. In 1974-75, it rose 82 per cent. In 1980, the rise began at the start of the first quarter of recession, in 1974-5 at the start of the second. With the market now well into the second quarter of this recession and down 15 per cent since it began, it should be about time for a recovery.

Other things being equal, that is. The Gulf is still there as an extraneous and unquantifiable factor. And even if equities go higher in the next 12 months, any subsequent recovery would have to be driven by earnings and dividends. Given that the UK corporate sector will by then be coming to grips with ERM membership, it might not do to be too sanguine about the medium-term.

Stock-lending

If the latest doubts about the legality of stock lending were actually to halt the practice in the London market, the effects could be damaging. It would not hurt the institutions to forego the lucrative fee income they get by lending their stock to the market. But the market makers would face an instant problem. The gilts market would have to do without £4bn-£5bn of stock daily; the equities market would lack £2bn-£3bn. Market makers would avoid short positions if they knew stock was not available for borrowing – witness yesterday's rumour-driven scramble to buy. Volatility might increase, while trading volumes would presumably decline because many deals would simply not be done by market makers side-stepping unduly risky trades. That might force weaker securities houses out of business, speeding up the rationalisation already under way.

That in itself might do no harm. The damage would occur if business were driven elsewhere. The legal loophole between stock lenders and the money broker intermediaries in truth is a technicality. So is the tax treatment of dividend income generated during stock lending. The simplest way to solve the problem would be to recognise that lending need only involve two parties – lender and borrower. But that reckons without the entrenched power of the money brokers, particularly in the gilts market. The Bank of England rightly says the matter is one of urgency. The faster it drops the legal constraints on lending the better.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	18	64	Berlin	C	6	43	Caracas	C	33	91	Faro	S	22	72	Islamabad	F	23	73	Madeira	S	21	70	Milan	Fg	3	37	Nicosia	F	21	70	Salzburg	R	7	45	Tenerife	S	23	73
Algiers	S	21	70	Biarritz	C	15	59	Casablanca	C	20	68	Florence	S	14	57	Istanbul	S	18	64	Madrid	S	14	57	Montreal	C	-3	27	Oporto	C	11	52	San Francisco	C	11	52	Tokyo	C	17	63
Amsterdam	F	8	46	Bombay	Dr	30	86	Chicago	-	-	-	Frankfurt	F	7	45	Jakarta	C	35	95	Majorca	S	19	66	Moscow	C	4	39	Oslo	S	1	34	Seoul	R	14	57	Toronto	C	-3	27
Athens	S	21	70	Bordeaux	Dr	15	59	Cologne	C	8	46	Geneva	C	9	48	Jersey	C	11	52	Malaga	S	20	68	Munich	R	4	39	Paris	C	11	52	Singapore	F	31	88	Tunis	F	20	68

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Japanese banks announce merger

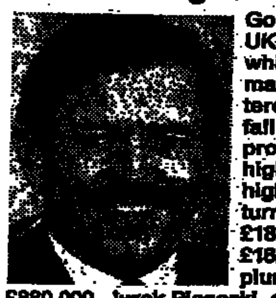
Another round in the deregulation of Japan's financial sector took place yesterday with the news that the San-in Godo Bank and Fuso Bank have agreed a merger. The move highlights the competitive pressure put on smaller banks — Fuso admitted that the reason behind the merger was its declining profitability — and is unlikely to meet opposition from Ministry of Finance. Page 24

Life after Death Valley

US BORAX

Borax, which traces its roots to the discovery of boron in California in 1881, is expanding the non-industrial uses for the mineral. Boron is now considered to have healthy research prospects as wood preservatives, pesticides, amorphous metal alloys and fire retardants. The well-known corporate image of the 20-strong mule teams that first hauled borax through Death Valley in the last century is expected to appear on a host of new consumer products soon. Page 31

Dull showing for Goldsmiths



Goldsmiths Group, the UK jewellery retailer which joined the stockmarket in February, yesterday revealed a hefty fall in interim pre-tax profits due largely to higher interest rates and higher rents. Although turnover was up to £18.1m ($35m) from £18m, taxable profits plunged to £44,000 from £880,000. Jurek Piasecki, chairman and chief executive (left), said that it was difficult to predict the outcome for the full year. Page 29

Stocks of rural loyalty

Small stock shops in provincial Japan are the front line in the battle to boost depressed share turnover levels. Companies and brokers are wooing the small rural investor who has proven reluctant to sell his shares. Loyalty is the principal feature of this hearty band of small shop-keepers and pensioners who gather around TV monitors daily to calculate the state of their modest portfolios. Page 27

Still blowing in the wind

Renewable sources of energy, once the fashionable alternative to Opec domination of world oil markets, are under the spotlight again because of pressure to curb pollution caused by burning fossil fuels, and to reduce reliance on nuclear power. But the issues of capital cost and unrealistic pay-back periods are threatening many projects. Page 32

Market Statistics

Companies in this section

Chief price changes yesterday

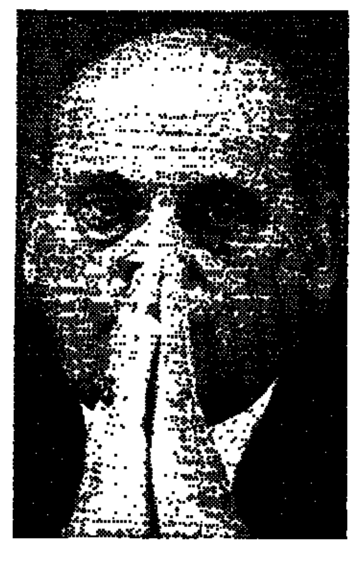
FRANKFURT (DM)				Celsion	468	+	13
Rises				Sanofi	883	+	38
Bayer-Hypo	324	+	17	**Falls**			
Didier-Werke	170	+	12	Locabance	406	−	9
Dresdner Bank	365	+	18	Nouvelle Galer	667	−	18
Hoesch	217	+	14	Printemps Au	585	−	19
KHD	189	+	10	**TOKYO (Yen)**			
Zanders	235	+	8	**Rises**			
NEW YORK ($)				Fujitsu	804	+	34
Rises				Mit'bishi Heavy	663	+	11
Fannie Mae	32½	+	¼	NKK	385	+	7
Falls				Nippon Steel	412	+	12
CBS	181¾	−	2	Sanyo Elec	625	+	9
Global Marine	4⅛	−	⅝	**Falls**			
Rowan	11	−	⅜	Kyocera Elec	1560	−	60
US Bancorp	18⅜	−	⅞				
PARIS (FFr)							
Rises							
CGE	554	+	15				

New York prices at 12.30.

LONDON (Pence)				McLaughlin & H	140	+	10
Rises				Saverfield	37	+	7
Beavercc	50	+	28	Tate & Lyle	270	+	10
Bowater	461	+	19	Thorn EMI	637	+	18
Brent Walker	110	+	21	Yale & Valor	162	+	9
Enterprise Oil	629	+	13	**Falls**			
Erskine Hse	50	+	6	ECC	298	−	16
Eurotunnel New	153	+	55	Goldsmiths	51	−	6
Grand Met	590	+	13	Tusker Res	17½	−	3
Guinness	748	+	17	WPP	279	−	99
Inchcape	241	+	12				
Kewill Systems	158	+	8				
Lonrho	205	+	10				

Philips forecasts Fl 4 bn loss

By Alan Cane in London



Timmer: warned on costs

PHILIPS, the troubled Dutch electronics group, shook investors yet again yesterday with a forecast that net losses for 1990, at more than £1bn, would be double earlier estimates.

It said it expected to finish the year Fl 4bn ($2.4bn) in the red rather than the previously projected Fl 2bn down.

Mr Jan Timmer, who took over as president of Philips earlier this year and who has been overseeing a profound restructuring designed to restore the company to profitability, warned last month that the expected Fl 2.7bn costs of the programme might grow, but observers yesterday were taken by surprise by the scale of the change. The charges will be incurred in carrying through a programme of redundancies which are expected to rise to between 35,000 and 45,000 out of a total workforce of 285,700. Group sales for the half year to end-June were Fl 26.3bn.

The company said in a statement that it intended to take a charge of an extra Fl 1.8bn. "Including the provision of Fl 2.7bn announced on July 2", it went on, "this means that an extra Fl 4.5bn will be charged to the 1990 results". It also said that it expected it would return to profit in 1991. Analysts yesterday were treating that claim with a degree of scepticism.

The announcement is the latest in a series of unpleasant shocks that Philips has given the international investment community this year, starting with a dramatic fall in first-quarter operating income. Announced in May, it seemed to come as much of a surprise to the company as to investors and that badly damaged the company's credibility.

Philip's problems arise from a mixture of currency exposure, costs which are out of lines with revenues in critical market areas including small computers, inefficient production and intense competition. It has singled out its information systems as the chief source of its difficulties and announced plans to cut the workforce and manufacture computer systems based on industry standards rather than its own, more costly, designs.

Philips' share price moved fractionally upwards yesterday, from Fl 19.20 to Fl 19.30.

One analyst argued that the shares had hit a low and that investors would not be wise to sell out at that price. Philips has declared its intention of solving its own problems, but there is nevertheless speculation that sale of parts of the company could not be ruled out. Matsushita of Japan is thought to be interested in acquiring its component manufacturing plants.

D-Mark and costs hit BASF profits in quarter

By Andrew Fisher in Frankfurt

BASF, the big German chemicals group, was hit hard in the third quarter of this year by the D-Mark's strength against the dollar, the sharp rise in raw material costs caused by the Gulf crisis, and economic weakness in such markets as the US, Britain and Scandinavia.

Pre-tax profits slumped by 42 per cent to DM600m (£207m), a sharp acceleration of the 31 per cent decline in the second quarter. For the nine months, BASF's profits were 28 per cent lower at DM2.3bn.

Volume sales were 3 per cent higher, but the inability to pass on higher raw material prices meant that group nine-month turnover was 3.3 per cent down at DM34.7bn.

Mr Jürgen Strube, chief executive, said it was unusually difficult to forecast results for the current and next year. He did not expect the fourth quarter to show a dramatic collapse, but nor would there be a complete change in trend.

Analysts said that the BASF quarterly result was roughly in line with expectations.

The drop in profits was rather steeper than at Hoechst, whose third-quarter profits fell by 37 per cent to DM631m, reflecting the greater degree of vertical integration at BASF.

Mr Strube said group results should be viewed against the strong performance in 1989, when pre-tax profits rose by 18 per cent to DM4.4bn.

Profits at the nine months' stage this year lay exactly between those achieved in 1987 and 1988. BASF also intended to keep up the pace of its capital spending, with a 10 per cent rise this year to DM4.3bn.

Since the Gulf crisis began, BASF has put up prices of petrochemical derivatives such as polyolefins, but not by enough to offset the doubling of crude oil and naphtha costs.

Thus, earnings in August and September were very unsatisfactory, although October brought a slight improvement. Mr Strube said further price rises were unavoidable.

BASF also wanted to hold down increases in labour costs by reducing staff in areas not directly concerned with production or sales.

This would happen through the non-replacement of employees leaving the company and not through redundancies.

Away game problems for strong home side

Hong Kong companies face difficulties in their attempts to diversify, reports John Elliott

Hong Kong's entrepreneurs and leading companies are finding it difficult to diversify from the traditional money-spinning areas of property, trading and shipping. The companies have outgrown their original businesses and are seeking safer investment havens as the colony approaches its return to Chinese sovereignty in 1997.

The collapse last Friday of Hong Kong's cable TV franchise was the latest attempt at diversification to run into trouble. The consortium involved included two of the colony's largest groups, Sir Yue Kong-Pao's Wharf Holdings and the Kwok family's Sun Hung Kai Properties. Both groups were treading unfamiliar ground.

The consortium terminated a government franchise, which it won in July last year, to develop a HK$5.5bn (US$705m) cable TV network — potentially the largest in the world serving 1.5m homes — and a linked telecommunications service.

The group objected to the announcement last month of a new government policy on satellite broadcasting. The consortium said the new policy breached earlier government assurances of exclusive rights. The collapse was made inevitable last week by the withdrawal of the biggest technological shareholder, US West, one of America's Baby Bells.

But the seeds of the collapse were sown by the local Chinese entrepreneurs. Most of these businessmen are accustomed to quick, or at least assured, returns from personally-controlled property and other developments in a local market which was, until last year, expanding rapidly.

Faced with technological and legal complexities which they did not comprehend — compounded by vascillating government policies on satellite, telecommunications and broadcasting — the local entrepreneurs fought and squabbled from the start. They failed to reach important decisions until the consortium fell apart.

Wharf's attempts to dominate the project — it had the largest stake at 28 per cent — were part of the problem. Mr Peter Woo, Wharf's chairman and a son-in-law of Sir Y.K., was forced to resign from the consortium chairmanship last January after a boardroom row in which US West (with a 25 per cent stake) is believed to have played an important part.

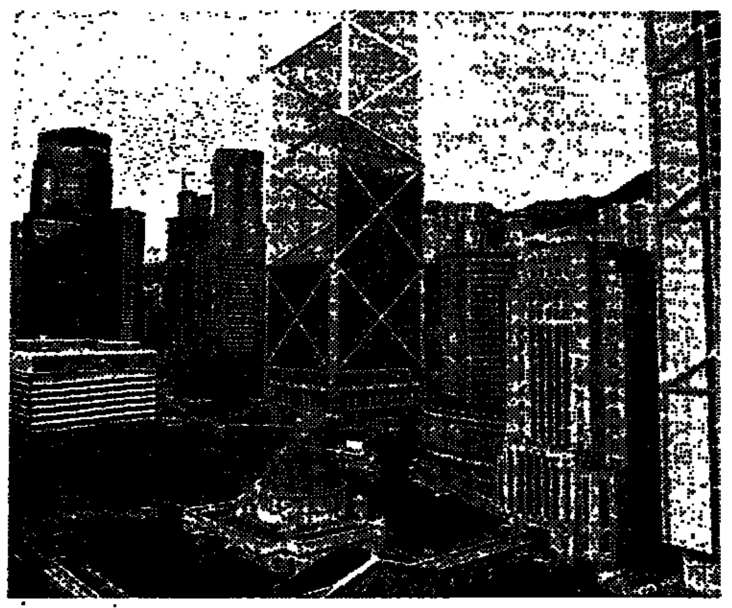
By then, Sun Hung Kai had lost confidence because it was worried about long pay-back periods. It planned to drop its 27 per cent stake to 11 per cent. Shaw Brothers, which has conventional TV interests in Hong Kong, had doubts and eventually planned to drop from 10 to 4 per cent. Coditel, the Belgian cable TV company with a 10 per cent stake, was also rumoured to be unhappy, while US West became more worried and disillusioned about its foray into Asia.

Cable television was Sir Y.K.'s third failure to break into a new area: In the past two years, he has abandoned a 10 per cent stake in Standard Chartered Bank and a controlling stake in Dragonair, Hong Kong's fledgling airline.

As has happened with other people's ventures, Sir Y.K. underestimated the problems of doing business outside Hong Kong and of working with foreign interests: outsiders might not understand Chinese family business attitudes or welcome active Hong Kong Chinese involvement in ventures overseas.

In Standard Chartered, Sir Y.K. was frustrated that he could not wield extensive influence: he had taken his shareholding as a white knight to help fend off a takeover bid. In Dragonair, he underestimated the strength of opposition from the London-based Swire family, which controls Cathay Pacific Airways.

He also underestimated opposition from vested aviation interests in Peking.



Most local entrepreneurs are accustomed to quick returns in a local market which was, until last year, expanding

Mr Li Ka-shing, Sir Y.K.'s long-term rival as Hong Kong's top tycoon, is having some success with the satellite broadcasting ventures that upset the cable consortium's plans. Originally, he had expected his Hutchison Whampoa group to win the cable television franchise.

But he has had problems elsewhere. In July he bought a 50 per cent stake in the junk bond company, Gordon America, as part of a US expansion plan. That idea has run into serious problems.

In 1986 he abandoned a 4.9 per cent stake in Pearson of the UK, which owns the Financial Times newspaper, when he found he was not being welcomed as a larger shareholder or as a board member.

Even the Hongkong and Shanghai Banking Corporation has failed to invest profitably in banks and stockbroking firms in the US, Australia and the UK. It has run into embarrassing losses that have partially thwarted its hopes for a early marriage with the Midland Bank of the UK.

Just as the Hong Kong entrepreneurs overestimate the chances of their domestic profit-making skills fitting in with foreign companies, so the Hongkong Bank did not realise that its own cadre-based, colonial management structure was ill-equipped to run a multinational empire.

With hindsight it is now accepted in Hong Kong that Mr Li's Hutchison-led consortium should have won the cable TV franchise.

Firstly, Hutchison had done three years of detailed homework and has a more structured, professional management. Secondly, British Telecom of the UK was the technological partner. BT would have found it far less easy than US West to walk away from a high profile project in a British colony.

But Mr Li lost confidence and interest after China's Tiananmen Square crisis in 1989 and the government, for reasons that are still not clear, changed the financing rules. Mr Li then gave up and the Wharf-led consortium won.

More than 150 staff were hired (and are now being fired) but little work was done. Only about HK$400m was spent, partly on land for a headquarters — which can be recouped — and partly on computer network plans. A US cable television expert, Mr Chris Derrick, was hired in June. He shocked the companies by raising the investment plan from HK$5.5bn to HK$7bn with a longer pay-back period.

Now the consortium partners are quarrelling about the collapse. US West said last Friday that the decision to close down had been a unanimous board vote. Yesterday, Wharf insisted that it had voted to keep going.

Wharf's stance may be designed to save face: Sir Y.K. Pao was rebuffed when he emerged from semi-retirement a month ago and lobbied the government for changes in broadcasting policy.

Some observers doubt that a rebuffed Sir Y.K. would want to go ahead with the project. They wonder whether Wharf, which is regarded as a litigious group, might be considering legal action.

Biggest UK insurer to sell network of estate agents

By Richard Lapper in London

PRUDENTIAL Corporation, the UK's biggest life insurer, yesterday announced plans to sell its network of 500 estate agents.

The sale, signalling a shift in strategy back to core savings-related activities, is likely to result in significant losses. Prudential was one of the first insurers to buy estate agents, spending £230m ($451m) on about 800 that it once owned in 1985. Its insurance competitors could be among bidders for its sites.

Prudential had built up its estate agency operations with the aim of selling life insurance and pensions to the growing number of people attracted into the housing market during the mid-1980s. Underpinning the rationale of the move was the popularity of mortgage endowment policies — which allow home owners to repay their mortgages with the proceeds from a policy related to life assurance. Endowments are the most common form of repaying a mortgage in the UK.

However, Prudential, in common with other insurers which entered the estate agency business, racked up heavy losses due to the housing slump.

Prudential lost £48.9m on estate agency operations last year. Royal Insurance, which has the biggest estate agency network among the UK insurers, recorded pre-tax losses of £26m in the same area. Two other insurers with large agency networks, General Accident and Lloyds Abbey Life, also lost money in 1989 on their estate agency operations.

Prudential closed 100 of its agencies in 1989 and a further 175 in July this year. In the sale, to be handled by merchant bank S.G. Warburg, analysts believe that even if Prudential gets £250,000 per branch, the company will be left with losses of at least £100m.

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Move to end stock lending doubts

By Stephen Fidler, Euromarkets Correspondent

A GROUP headed by the Bank of England was yesterday in urgent talks in an attempt to resolve legal doubts about the safety of stock lending by investment institutions. If not resolved quickly, this could hurt London's position as a financial centre.

Lending of British and foreign equities and UK government bonds by investment institutions allows them to increase the return on their portfolios. By allowing dealers to borrow shares and bonds from institutions — they do it indirectly through money brokers — stock lending oils the wheels of securities trading in London.

A legal opinion circulated this month in the City has called into question whether the collateral — which is pledged by borrowers against the value of the bonds and equities they borrow — could be claimed in the event of an insolvency. It also questions the title to collateral that has been pledged to a broker but, as is common practice, onpledged by that broker to someone else.

These questions have prompted some investment institutions to withdraw from the market, and appear to have encouraged rumours yesterday that the Bank of England had asked institutions to stop stock lending. The Bank had done no such thing.

While those in the market were keen to play down the problem, there is no doubt that further contraction of the market would pose serious problems for liquidity and could, particularly in equities, lead to shortages of stock. This helped push share prices higher in London yesterday.

About £4bn-£5bn of gilts are said to be lent daily by institutions and around £2bn ($3.9bn) of equities, although the figure may currently be somewhat lower given the low market turnover. Another $10bn a day of stock lending is estimated to take place in London on international transactions, an important element in the City's dominance as financial centre in Europe.

The issue is being examined by a committee on stock borrowing and lending, headed by Mr Ian Plenderleith of the Bank of England, and including important representatives of borrowing, lending groups and the money brokers. The group first discussed the issue on Friday and will meet on Wednesday, after breaking into sub-committees.

Mr Patrick Mitford-Slade of Cazenove Money Brokers and chairman of the Money Brokers' Association, said last night that talks had gone well and he was optimistic of a quick resolution.

Stock lending has gone on for a quarter century without legal question, although the standard documentation for such transactions was agreed at the time of Big Bang in 1986. The nervousness of some stock lenders reflects, according to some market participants, a general anxiety which have increased following a ruling that swap transactions carried out by Hammersmith and Fulham Borough Council were illegal.

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WPP sees price of shares tumble on profits warning

By Alice Rawsthorn in London

WPP GROUP, the world's largest marketing services company, yesterday saw its share price plummet by 113p to 279p after it issued a profits warning.

Mr Martin Sorrell, chief executive, said WPP had been affected by cuts in marketing budgets "across all areas of the business".

However, he said that the cuts had been most severe in media advertising, particularly in the US and the UK.

Last week Scali McCabe Sloves, one of the group's New York agencies, resigned the $40m advertising account for Volvo, its largest and oldest client. The account loss followed the controversy over Volvo's admission that some of SMS's advertisements for the company had been faked.

However, Mr Sorrell said that, even without the Volvo *débacle*, this year's profits would not have met expectations.

The group's other agencies, Ogilvy & Mather and J. Walter Thompson, are also suffering from the slowdown in the advertising markets of Brazil, Canada, Australia and Scandinavia as well as the US and UK.

He said WPP first detected the downturn last month and then reviewed its forecasts for the fourth quarter, the busiest time of its year. When WPP published its interim results in August – showing a 77 per cent increase in pre-tax profits to £46m ($89.7m) on revenue of £626m for the six months to June 30 – Mr Sorrell was confident about the prospects for the full year.

The profits warning follows months of speculation about WPP's financial stability. Its shares have fallen sharply recently – from more than 650p a year ago – because of investors' concern about its heavy debts.

Analysts were concerned about the impact of the profits fall on WPP's finances. The group is burdened by net debt – of around £300m – from its acquisitions in the late 1980s.

However, Mr Sorrell insisted that the group was still operating within the terms of its banking agreements.

Northern Feather goes into receivership

By Hilary Barnes in Copenhagen

NORTHERN Feather (NF), the Danish duvet, home furnishing and auto textiles group, went into receivership yesterday, triggering what promises to become an important business scandal.

The company's executive chairman, Mr Johannes Petersen, responsible for expanding a relatively small domestic business into a sizeable international group, died suddenly at the weekend, helping to precipitate the crisis.

The troubles at NF, which has a turnover of about DKr2.6bn ($460m) and manufacturing plants in the UK and the US, has moved towards a climax because a strategic alliance with textile companies in the US, Japan and Germany, announced in September, was never completed, according to the German partner, Hofkammer des Hauses Wurttemberg. The other members of the alliance were Tatsumura of Japan and Mount Vernon of the US.

Shareholders were told at a meeting in September the three companies were taking equity stakes in NF. But, last Friday, NF told the Copenhagen Stock Exchange the Hofkammer des Hauses Wurttemberg had not invested in NF. This led to the immediate resignation of two supervisory board members, Mr Jorgen Basse and Mr Arthur Schmiegelow. Yesterday, NF's managing director, Mr Anders Wejrup, also stepped down.

NF has been criticised in Scandinavia for frequent changes in accounting principles. The Copenhagen Stock Exchange has made several complaints to the company about levels of disclosure.

● The Swedish government rejected a proposed banking link-up between Swedish bank Sparbankerna and the National Post Office, Reuter reports from Stockholm.

State-controlled Nordbanken, which, until recently, had a preferential access agreement with the Post Office, opposed the alliance. The Post Office should not be allowed to own parts of a bank, but could co-operate with banks, the government said.

Atlas Copco advances to SKr1bn

By Robert Taylor in Stockholm

ATLAS COPCO, the Swedish mining, construction and industrial equipment manufacturer, yesterday reported a 9 per cent increase in profits (after financial items) to SKr1.1bn ($198m) for the first nine months of 1990.

Sales rose by 11 per cent to Skr11.8bn. Earnings per share rose to Skr27.15 from 25.05, while return on capital eased to 20.2 per cent from 20.3 per cent.

"The results are a warning signal," Mr Tom Wachtmeister, the company's chief executive, said yesterday.

"Companies are postponing their short-term purchasing decisions because of the uncertainties that have hit businesses since the Gulf crisis began.

"Atlas Copco was already feeling the effects of a downturn in demand in the North American market because of the growing recession in the auto industry.

"Now the difficulties have spread, particularly in mining and construction though sales in our continental European markets continued to rise in the third quarter.

"Our last quarter will not be as good as we expected and the downturn will also influence our results next year," admitted Mr Wachtmeister.

Atlas Copco finds itself in an increasing price-cutting war with its main competitors in the construction and mining equipment market where earnings this year have fallen so far to Skr111m from Skr259m.

Yesterday, the company announced it was seeking a listing for both its A and B shares on the London Stock Exchange.

Mr Wachtmeister said he hoped that the company would be listed from early next month.

ETVA to sell stakes in 15 companies

By Kerin Hope in Athens

THE state-owned Hellenic Industrial Development Bank (ETVA) plans to sell majority shareholdings in 15 companies, among them Hellenic Shipyards, the largest ship repair facility in the eastern Mediterranean.

The disposals will be carried out in accordance with the government's privatisation programme which aims at shedding almost 90 state-controlled companies over the next 12 months.

The ETVA companies on offer include three shipyards, seven mining and mineral processing operations and a fertiliser plant.

Although combined borrowings of the companies total Dr74bn ($493m), potential investors are showing interest in view of the bank's plans to restructure the larger companies, ETVA said.

However, restructuring of the shipyards and the fertiliser plant must be approved by European Commission officials for compliance with competition rules, the representative added.

Hellenic Shipyards, acquired six years ago from Mr Stavros Niarchos, the Greek shipping tycoon, during a prolonged shipping crisis, made losses of Dr2.7bn last year on turnover of Dr13.08bn. In 1991, the yard will start work on a $1.27bn order from the Greek navy for three German-designed Meko 200 frigates.

Man from the Pru closes the door

Richard Lapper and David Barchard on a property market U-turn

On the surface, yesterday's announcement by the UK insurance and financial services company Prudential that it is to sell its network of 500 estate agencies could be interpreted as an embarrassing about turn, reversing a strategy begun as recently as 1985 and potentially incurring heavy losses. Prudential paid £230m for the network. At present prices it seems unlikely to receive more than £200m ($393m).

Yet the decision also shows a willingness by chief executive Mr Mick Newmarch to stick firmly to his stated strategy, developing Pru's business, in areas where he believes the company can establish a presence as an international market leader, principally in medium and long-term savings. "They may lose face but this was a brave thing to do," said Mr Chris Pountain, an insurance analyst at Morgan Stanley, the US securities house.

The decision is the latest evidence of a more decisive management style sweeping through the organisation that Mr Newmarch took control of in April. Two months ago Prudential sold its small Belgian general insurance subsidiary, L'Escaut, for £157m, and there has been a pruning of investments at Prudential Portfolio Managers, the Pru's investment management arm.

Although Mr Newmarch has spent most of his working life with the Pru. Unusually, among British life insurance leaders, he is a fund manager rather than an actuary, spending most of the 1980s as head of Prudential Portfolio Managers.

Mr Newmarch's more aggressive style even extends to a perhaps undiplomatic willingness to be critical of past strategy of the company's estate agencies operation.

He acknowledged yesterday that in the past Prudential's management had "undoubtedly made mistakes," mentioning specifically decisions linked to pricing and local advertising in the estate agencies business. The decision on estate agencies is only a small part of a ambitious international business strategy.

"Future opportunities lie in the development of medium and long term savings business in the UK, the US, where Prudential's Jackson National subsidiary has expanded rapidly, and potentially in Europe and the emerging economies of the Pacific Rim," Mr Newmarch said yesterday.

In response to market speculation that the Pru might even be considering diversification away from core life assurance business into a broader range of financial services activities, Mr Newmarch hinted that future expansion might well encompass the development or acquisition of a deposit-taking business. Asked specifically whether market rumours that he might be interested in buying a bank were well founded, Mr Newmarch said there are "lots of options but no clear opportunities".

He pointed out that when life policies are cashed in, the proceeds are often transferred not into one of the Pru's investment products but into a bank or a building society deposit. "We pay out the maturing proceeds of life insurance contracts to our competitors. I would like to contemplate ways we wouldn't have to do that."

Like other insurers who have bought chains of estate agents in recent years, Prudential believed it could boost sales of life insurance and savings policies. "We thought the estate agencies would allow us to build a relationship with the market on the High Street bringing us access to people, especially younger people, to whom we could sell other products," Mr Newmarch said.

The experiment had "worked in a narrow sense" with steady sales of mortagages and mortgage endowment policies through the agencies.

But Mr Newmarch said there had been less success in "cross selling" other products such as pensions, unit-linked savings products, and personal equity plans. "It is clear that you can sell core products but the incremental investments you would need to cross sell don't add up." Prudential would concentrate future sales efforts through conventional distribution channels.

Pru closed 100 agencies last year. After a nine month review by Coopers Lybrand & Deloitte in July, it axed a further 175 and has now decided that it is not prepared to make the scale of investments necessary to transform the business.

"Basically, it required an investment of time, resources and management which would not have been rewarded with increased earnings," Mr Newmarch explained. Although there was no doubt that the housing market had now bottomed out, holding on to the network until the market recovered would have entailed further losses.

Other insurers also been losing money on chains of estate agents acquired in recent years. Royal Insurance and General Accident lost £20.5m and £26m respectively on their operations last year. Yet there are few signs at present that other large players in the estate agency market show signs of following Prudential and pulling out.

Mr Brian Gladwyn, chief executive of Royal Insurance's chain, the largest in the UK, says: "My personal view is that in the personal financial services market it is who is the first person to get at the punter that matters, and that is the estate agent."

"The development of our estate agency network has been and remains a key element in our strategic plans to provide an all round customer service," says Mr Jim Birrell, chief executive of Halifax Building Society which owns the second largest agency chain with 630 residential branches. Halifax's network lost £27m last year.

Halifax and Royal believe that though their losses have been heavy, they have been mitigated by their decisions to retain the local character of their agency branches as far as possible.

Prudential seems to have had a more monolithic approach to its estate agency business, and so found a flexible response to the depression in the housing market harder to achieve.

Air France hotels unit plans FFr770m expansion

By William Dawkins in Paris

SOCIETE des Hôtels Méridien, an offshoot of Air France, the French state-owned airline, is to raise FFr770m ($155m) from financial institutions to expand its network of 54 hotels.

Air France will sell some of its existing shares in Méridien, which will also be issuing new equity. As a result, the national carrier's 100 per cent ownership of the hotel group will fall to 57.31 per cent.

Un-named outside investors will pay FFr367m for a 26.18 per cent stake in the company, valuing it at FFr1.4bn, or 17 times the earnings forecast for 1990. The balance comes from an issue of fresh shares to the new partners.

This is intended to "allow Méridien to take the lead again after several years during which the chain has stagnated," said the group.

Fiat arm forms financial accord with Spanish bank

FIDIS, the financial services arm of the Italian Fiat group, plans to take a 1.1 per cent shareholding in Banco Hispano Americano of Spain under a broad joint venture accord in financial services between the two groups, AP-DJ reports from Madrid. In return, Banco Hispano Americano will take a 2 per cent stake in Fidis.

Under the accord, Fidis and Banco Hispano Americano will set up an equally-held company, Prime Hispano.

Prime Hispano will handle a range of financial services, including real estate and financial investment funds and merchant banking.

The two groups will also launch two new investment funds. One will be a closed-end real estate investment fund that will invest in Italy, Spain and France, the other a balanced fund that will invest on European financial markets.

INTERNATIONAL COMPANIES AND FINANCE

Move to accelerate Manville compensation

By Martin Dickson

AN AGREEMENT was announced yesterday which could end years of legal wrangling over compensation to people whose health was damaged by asbestos products made by Manville, the US industrial group.

Proposals were filed in a New York court for a settlement of a class action suit involving asbestos victims and the Manville Trust, a body set up to assume all legal liabilities for health claims against the company.

Manville was forced into Chapter 11 bankruptcy in the early 1980s by claims from asbestos victims, but the establishment of the trust as a separate entity, funded by the company, enabled it to emerge from Chapter 11 two years ago.

Since then, however, the trust has experienced a severe shortfall of funds, as a result of which victims faced a wait 10 to 20 years before they received compensation.

Yesterday's package, which still needs to be approved by the courts, contains two elements: a refinancing agreement, under which Manville will inject more money into the fund; and a new system of processing claims designed to speed up the compensation process and make it more equitable.

The refinancing plan, announced in outline last September, involves the trust converting convertible preferred stock it holds in Manville to common stock, giving it 80 per cent of the group's common stock.

This will entitle it to $520m of up to $650m in special dividends the company will distribute over a seven-year period, depending on its future financial performance.

The trust will also be able to swap $1.8bn of Manville bonds for new ones which it can sell more easily.

The new compensation system involves paying claims most rapidly to those who are most ill. They will receive compensation during the first two years after the plans begin. Some 23,000 people are estimated to be involved.

Payment to less seriously injured claimants will not begin until the third year. There are already 100,000 of these claims and many more are expected.

The previous settlement process was widely criticised for the amount of money eaten up in legal fees. As part of yesterday's deal, plaintiffs' lawyers have agreed to reduce their fees to a maximum of 25 per cent of funds paid out to their clients, compared to levels of 40 per cent or more, which are common in some parts of the US.

The settlement also provides for the dismissal of nearly all lawsuits against the trust, which should save it hundreds of millions of dollars in legal fees and free the court system of tens of thousands of cases.

CBS warns of fourth-quarter loss

By Martin Dickson in New York

THE deteriorating US advertising climate was underlined yesterday when CBS, the US media group, forecast fourth-quarter losses and said its 1991 earnings were expected to be lower than this year's.

The group, which runs one of the three US television networks, blamed its fourth-quarter plunge into the red on losses from its broadcasts of major league baseball and a slowdown in the growth of national television.

CBS, which has ranked third in the network league table in recent years, managed to take second place in the prime-time ratings in the first seven weeks of this autumn season.

But profits have been hit by its gamble to grab ratings by paying high prices to broadcast top sporting events.

The network this year began an exclusive and expensive four-year deal to broadcast major league baseball. But it said yesterday it had suffered higher than anticipated losses because of soft demand in the sports sales market and the fact that the two top events of the season – the American League championship and the World Series – were both decided in just four games, rather than running to seven.

The group added, however, that, even without baseball, the soft advertising market would have meant a fourth-quarter loss for the network.

The downturn in the US economy had dampened advertising demand for network, local television and radio. Network advertising prices had been particularly soft for prime time slots and National Football League broadcasts. In the fourth quarter of last year, CBS reported earnings of $60.1m, or $2.33 a share.

The group said the television network was also expected to show an operating loss next year. The economic climate for advertising was worsening while costs were rising for entertainment programming and sports rights fees.

Figures in the first half of the current year were helped by the profitable coverage of football and basketball championships which the network will not present next year.

Mr Laurence Tisch, CBS chief executive, said the group was committed to new "new internal operating procedures that enhance productivity."

He said the group's problems were not short-term since it was apparent that "increased competition for both viewers and advertising dollars, combined with rapidly escalating programming costs, are changing the fundamental economics of network television."

Japanese banks plan to merge

By Robert Thomson in Tokyo

TWO Japanese banks, San-in Godo and Fuso have announced a merger plan that highlights the competitive pressure put on smaller banks by the gradual deregulation of Japan's financial sector.

San-in Godo Bank, based in western Japan and the 29th largest of Japan's 64 regional banks by deposits, will absorb Fuso Bank, a local bank based in the same area, on April 1 next under a plan yet to receive the approval of the Ministry of Finance.

There is unlikely to be opposition from the ministry, which has overseen the deregulation of the banking industry and presumed that mergers among smaller banks will accompany the increased competition. Last week, two leading Japanese banks, Kyowa Bank and Saitama Bank, also announced merger plans.

Larger banks are courting the traditional customers of the small ones, and Mr Hiroshi Kashiwase, the president of Fuso Bank, said he had approached San-in Godo with the merger plan because of his bank's declining profitability.

The new institution will retain the name San-in Godo Bank, and three Fuso shares will be swapped for a San-in Godo share under the proposal, due to be put to meetings of shareholders in January.

San-in Godo, established through a merger in 1941, has 137 retail outlets around its base in Shimane Prefecture. At end-March, it held a total of Y1,969.4bn in deposits, and after the merger it will rise six places to be the 23rd largest of Japan's regional banks.

The Fuso Bank, based in Tottori Prefecture, was converted into an ordinary bank in April 1989, and at the end of March had deposits totalling Y404.2bn and 56 branches.

Mr Kazuo Fukano, president of San-in Godo, said the merger will increase the competitiveness of his institution and enable a wider range of services to be offered to customers. Mr Fukano will remain president after the merger, while Mr Kashiwase of Fuso Bank will become senior managing director.

Pressure on K mart margins

By Nikki Tait in New York

PRE-tax profits fell by 2 per cent during the third quarter at K mart, one of the three largest retailers in the US, with margins reduced by the inclusion of the PACE warehouse club operation.

For the three months to end-October the group made $158m before tax, compared with $161.4m in the same period a year earlier. Gross revenues were up by 11.6 per cent to $7.49bn, while sale costs rose 11.9 per cent to $7.3bn.

The pre-tax figure, however, was then dented by interest charges up from $50.9m to $62.8m. After slightly reduced tax, net earnings improved by 1.7 per cent to $105.9m from $104.1m. At the per share level, that translated into 53 cents, against 52 cents.

K mart said the gross margin fell from 26.5 per cent to 25.7 per cent, but this reflected the purchase of PACE, which operates more than 40 warehouse club stores.

Like most warehouse club discount businesses, PACE, bought a year ago for $322m, has margins well below those of traditional supermarket operations.

K mart said third-quarter sales of "basic commodity categories of merchandise" were good, but that there was softness in the electronics and other "big-ticket" areas.

"Good comparable store sales gains were achieved by most of our specialty store businesses." Overall, the group saw a 2 per cent gain in comparable store sales.

Chrysler abandons JJ venture

By Kevin Done, Motor Industry Correspondent

CHRYSLER, the US automotive group, has abandoned its plan to develop a small four-wheel drive sports/utility vehicle, a programme it originally established with Renault of France.

It said the project, code-named JJ, had been attractive as a joint venture, but as a stand-alone programme it "required too great a commitment of resources that are needed for higher priority product programmes".

Renault pulled out of the planned $500m venture to develop a joint vehicle for production in both western Europe and in North America in the summer.

The project was already well-advanced and was an important element in the US automaker's attempt to break back into the western European vehicle market.

The collapse of the project is a blow for Chrysler because the venture had already been under development for more than two years since the signing of the original letter of intent with Renault in February 1988.

The project was also included in the wide-ranging collaboration talks held by Chrysler with Fiat of Italy. These discussions broke down earlier this month.

Chrysler, the third largest US automaker, has been seeking ways of returning to the European market following its ignominious withdrawal at the end of the 1970s when it was forced by the threat of imminent financial collapse to sell its European operations to Peugeot of France.

In 1988, it began building up a European distribution network for its North American vehicles. It has also entered into a joint venture with Steyr-Daimler-Puch, the Austrian automotive and engineering group, to assemble a Chrysler minivan or people carrier at an SDP assembly plant in Graz, Austria.

Chrysler, which is facing a costly model development programme to bolster its troubled car operations in North America, said it was studying alternatives to try to enhance the value of its Jeep franchise.

Resorts International in profit after special gain

By Karen Zagor in New York

RESORTS International, the casino group headed by the entertainer Mr Merv Griffin and which recently emerged from Chapter 11 bankruptcy protection, yesterday turned in third-quarter net income of $259.7m, against a net loss of $34.9m a year earlier.

However, excluding a large extraordinary gain, Resorts posted a loss of $170.1m in the 1990 third quarter.

The Atlantic City-based company said results from its Bahamas operations might deteriorate further and the profitability of its Atlantic City operations might be hurt by economic slowdown in the US, increased competition and rising fuel costs which have pushed up air fares.

Mr David Hanlon, president and chief executive said: "The changes in accounting as of August 31 make it difficult to precisely compare the 1990 numbers to the 1989 numbers. However, we have definitely shown an improvement in our earnings from operations."

Operating revenues in the three months to September 30 slipped to $109m from $124.3m. But there was a gain from operations of $9.6m, against a loss of $2.2m a year earlier.

Nine-month net earnings were $257.4m on revenues of $325.6m, compared with a net loss of $481.5m on revenues of $347.9m a year ago. Excluding the one-time gain in the 1990 third quarter, Resorts had a nine-month net loss of $172.4m. Operating earnings grew to $12.4m from $5.7m.

Spanish theme park stake changes hands

ANHEUSER-Busch Companies, the largest US brewer and a big operator of theme parks, has agreed in principle to sell its controlling interest in a multi-million-dollar theme park project in northern Spain to Tibidabo SA, the Spanish amusement park company, AP-DJ reports.

INTERNATIONAL COMPANIES AND FINANCE

Liquidator sought for Bond Corp offshoot

By Kevin Brown in Sydney

A GROUP of preference shareholders yesterday applied to the South Australian Supreme Court for a provisional liquidator to be appointed to J.N.Taylor Holdings, a subsidiary of Bond Corporation Holdings, once the quoted flagship of Mr Alan Bond.

The application followed an announcement by Bond Corporation that Bond Corporation Finance, another subsidiary, was unable to repay debts totalling around A$180m (US$139.5m) to J.N.Taylor Holdings.

The move could complicate the proposed reconstruction of Bond Corporation Holdings by making it more difficult to reach agreement on a scheme of arrangement being negotiated with creditors as an alternative to liquidation. But Mr Peter Lucas, who replaced Mr Bond as chairman of Bond Corporation in September, said he was confident the appointment of a liquidator to J.N.Taylor Holdings would not prevent the reconstruction of the of the parent company.

He said J.N.Taylor preference shareholders were seeking to recover A$3.90 a share.

"The point we are making is that we think it is not achievable out of J.N.Taylor per se, and if one chases it through to Bond Corporation the best option is to accept the scheme," he said.

Bond Corporation said the court action had been launched by around 27 preference shareholders representing 21 per cent of J.N.Taylor's 28m preference shares. J.N.Taylor's only assets are the A$180m debt from Bond Corporation and A$96.9m owned by Dallhold Investments, one of Mr Bond's privately-owned family companies.

Bond Corporation holds more than 99 per cent of J.N.Taylor shares.

Bond Corporation is estimated to have negative net worth of more than A$1bn following losses of A$980m for 1988-89 and A$2.24bn for the year to June 30.

The scheme of arrangement would put the company in the control of its bondholders and other creditors through a debt-for-equity swap.

Bond Corporation shares have been suspended for 11 months, but the company has asked the Australian Stock Exchange to allow trading to resume once the scheme of arrangement has been approved.

Sanrio in red after Y18bn appraisal loss on portfolio

By Ian Rodger in Tokyo

SANRIO, a greeting card maker that was one of the stars of Japan's zaitech (financial engineering) boom in the late 1980s, plunged into loss in the six months to September because of an Y18.8bn ($145.2m) evaluation loss on its share portfolio.

Pre-tax losses totalled Y9.2bn compared with a profit of Y8bn in the irregular 10-month period to last March 30, the company's new year-end.

Sales in the first half totalled Y50.1bn compared with sales of Y72.5bn in the previous 10-month period. Operating profit was Y2.5bn.

The company has been one of the most aggressive investors in the securities markets. At April 1, it held Y77.2bn in short-term securities and Y87.9bn in Tokkin (specified money in trust). Together, these funds amounted to nearly half its total assets. In the year to July 31 1989, its pre-tax profits were 84 per cent higher than its operating profits, thanks to its stock market success.

But, between April 1 and September 30 of this year, the Nikkei average of 225 leading shares lost 28 per cent of its value and Sanrio was hit hard.

A company official said yesterday it was hoped the stock market would recover in the second half and the company could narrow its appraisal loss at least to Y10bn. On that premise, it is forecasting a pre-tax profit of Y6.5bn for the year.

It is also planning to maintain its dividend payment of Y22 a share.

Was it giving any consideration to abandoning zaitech? "It is one of the things we are studying," an official said, "but the Nikkei has already recovered 3,500 points since September."

Itoman falls 65% in first half

By Robert Thomson in Tokyo

ITOMAN, the Japanese trading house troubled by large property debts, yesterday reported a 64.9 per cent fall in pre-tax profit for the first half to end-September to Y2.35bn ($18.1m).

It had previously maintained that, despite the much-publicised property problems, pre-tax profit would be as predicted at Y10.5bn and sales would rise 32 per cent, though yesterday it reported a 17 per cent increase in sales to Y363.3bn for the period.

Sumitomo Bank, which has close relations with Itoman, last week said one of its managing directors would oversee the restructuring of the trading house, now a symbol of problems facing companies with heavy property exposure at a time of high interest rates and softening land prices.

For the full year, Itoman expects a pre-tax profit of Y10bn, down 27.3 per cent, with annual sales of Y700bn, an increase of 9.7 per cent.

● Wacoal, a leading Japanese maker of lingerie, has announced an 8.4 per cent decline in pre-tax profits to Y7.1bn, despite a 4.2 per cent sales increase to Y60bn, writes Emiko Terazono in Tokyo

Announcing unconsolidated results for the six months to end-September, Wacoal said the drop in profits reflected investment increases for new businesses in France and the US.

S Korea export slump continues

By John Ridding in Seoul

SOUTH Korean manufacturing companies enjoyed strong sales increases during the first half of the year, but suffered a fall in profitability because of increased non-operating costs, according to a report by the Bank of Korea.

The central bank report, which is based on a survey of 1,143 companies, demonstrated the increased importance of the domestic market, the continued slump in export performance and the increase in financing costs facing Korean industry.

According to the report, the combined sales of the companies increased by 15.5 per cent to about Won64 trillion ($88.9bn). Local sales rose by 22.7 per cent, while exports climbed by a mere 2.4 per cent.

The poor export performance occurred despite a 5.1 per cent depreciation against the US dollar during the period and reflected the faster rate of depreciation of the yen and the impact of high wage increases over the previous two years.

Value added, per worker, increased by a strong 19.6 per cent over the corresponding period last year, reflecting the increase in factory automation and a fall in manufacturing sector employment. As a result of the increased value added per worker, the gap between wage and productivity increases narrowed from 4.6 per cent to 0.1 per cent.

Operating profits as a proportion of sales increased slightly to 7.1 per cent, but pre-tax profits fell 0.4 per cent to 2.8 per cent. According to the central bank, the difference was the result of increased interest payments and foreign exchange losses.

The ratio of paid in capital to total assets was 26.9 per cent, compared with 28.2 per cent at the end of last year, while the average debt-equity ratio rose from 254 per cent to 271 per cent.

Japanese shipping groups hit by fall in demand

By Emiko Terazono in Tokyo

A SLUMP in shipping demand and sharply-rising costs during the Gulf crisis have depressed the results of leading Japanese shipping companies in the six months to end-September.

Kawasaki Kisen posted an 80.7 per cent decline in pre-tax profits despite a Y3.9bn ($301.3m) profit on stock sales. The company increased its after-tax profit 98.8 per cent on the sale of land in Osaka. It expects a 2.8 per cent rise in sales to Y365bn in the full year, while pre-tax profits are estimated to fall to Y3bn.

Mitsui OSK suffered a 30.8 per cent slump in operating profits. It was hurt by the rise of the yen against the dollar and by a delay in recovering North American liner routes. For the year, although it sees sales up 11.7 per cent to Y460bn, pre-tax profits are expected to fall to Y14bn.

Nippon Yusen expects revenues to rise 9 per cent to Y520bn, but forecasts a 1.2 per cent fall in pre-tax profits to Y16bn.

JAPANESE SHIPPING COMPANIES
Results for half year to September 1990

Company	Sales Ybn	Sales %change	Pre-tax profits Ybn	Pre-tax profits % change
Kawasaki Kisen	183.3	4.5	0.5	(80.7)
Mitsui OSK	229.6	15.3	6.0	(23.1)
Nippon Yusen	273.8	14.6	8.2	1.8

Figures in brackets show falls

Kagome posts six-month slide to Y3.4bn

By Emiko Terazono

KAGOME, Japan's top tomato processor, announced a 13.6 per cent drop in pre-tax profit to Y3.4bn ($26.2m) for the six months ending September 30.

The company blamed a rise in delivery and distribution costs for the decline.

Sales were also sluggish with an 0.3 per cent increase to Y62.1bn.

Although beverage sales rose a modest 2.7 per cent, sales of tomato products declined 3.9 per cent while pasta and other items fell 6.8 per cent.

For the full year, Kagome expects the higher yen to partially offset materials cost rises, with forecasts for sales at Y114bn up 3.6 per cent and pre-tax profit at Y4.8bn up 6.1 per cent.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 19, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	50.3679	34.1662	39.0363
Albania	(Lek)	10.1793	5.1658	3.504	4.0036
Algeria	(Dinar)	18.7649	9.5229	6.4595	7.3804
Andorra	(Fr Fr)	9.8025	4.9746	3.3743	3.8554
	(Sp Peseta)	184.15	93.4534	63.3907	72.4287
Angola	(Kwanza)	58.946	29.9142	20.2912	23.1842
Antigua	(E Carr $)	5.3325	2.7061	1.8356	2.0973
Argentina	(Austral)	10386.5	5271	3575.39	4085.15
Aruba	(Florin)	3.5352	1.794	1.2169	1.3904
Australia	(Aus $)	2.5910	1.3148	0.8919	1.019
Austria	(Schilling)	20.425	10.3653	7.0309	8.0334
Azores	(Port Escudo)	255.80	129.815	88.055	100.61
Bahamas	(Bahama $)	1.9705	1	0.6783	0.775
Bahrain	(Dinar)	0.7395	0.3752	0.2545	0.2908
Balearic Is	(Sp Peseta)	184.15	93.4534	63.3907	72.4287
Bangladesh	(Taka)	67.00	34.0015	23.0636	26.352
Barbados	(Barb $)	3.9723u	2.0113	1.3674	1.5623
Belgium	(Belg Fr)	59.80	30.3476	20.5851	23.5201
Belize	(B $)	3.95	2.0045	1.3597	1.5535
Benin	(CFA Fr)	490.12	248.729	168.716	192.771
Bermuda	(Bermudian $)	1.9705	1	0.6783	0.775
Bhutan	(Ngultrum)	35.00	17.7619	12.0481	13.7659
Bolivia	(Boliviano)	6.5372	3.3175	2.2503	2.5711
Botswana	(Pula)	3.6150	1.8345	1.2444	1.4218
Brazil	(Cruzeiro)	232.733	118.109	80.1146	91.537
Brunei	(Brunei $)	3.3750	1.7127	1.1617	1.3274
Bulgaria	(Lev)	5.3665	2.7234	1.8473	2.1107
Burkino Faso	(CFA Fr)	490.12	248.729	168.716	192.771
Burma	(Kyat)	11.578	5.8756	3.9855	4.5537
Burundi	(Burundi Fr)	316.1375	160.435	108.825	124.341
Cambodia	(Riel)	906.43	460	312.024	356.511
Cameroon	(CFA Fr)	490.12	248.729	168.716	192.771
Canada	(Canadian $)	2.2910	1.1626	0.7886	0.901
Canary Is	(Sp Peseta)	184.15	93.4534	63.3907	72.4287
Cp. Verde	(CV Escudo)	129.8167	65.88	44.6873	51.0586
Cayman Is	(CI $)	1.6392	0.8318	0.5642	0.6447
Cent. Afr. Rep	(CFA Fr)	490.12	248.729	168.716	192.771
Chad	(CFA Fr)	490.12	248.729	168.716	192.771
Chile	(Chilean Peso)	630.615	320.028	217.079	248.029
China ‡	(Renminbi Yuan)	10.2677	5.2107	3.5344	4.0384
Colombia	(Col Peso)	1079.36	547.759	371.552	424.527
Comoros	(CFA Fr)	490.12	248.729	168.716	192.771
Congo (Brazz)	(CFA Fr)	490.12	248.729	168.716	192.771
Costa Rica	(Colon)	197.1642	100.058	67.8706	77.5473
Côte d'Ivoire	(CFA Fr)	490.12	248.729	168.716	192.771
Cuba	(Cuban Peso)	1.5731	0.7983	0.5415	0.6187
Cyprus	(Cyprus £)	0.8330	0.4227	0.2867	0.3276
Czechoslovakia	(Koruna)	46.28c	23.4864	15.9311	18.2025
		59.98t	30.4389	20.6471	23.5909
Denmark	(Danish Kroner)	11.1425	5.6546	3.8356	4.3824
Djibouti Rep	(Djib Fr)	341.0	173.053	117.384	134.12
Dominica	(E Carrib $)	5.3325	2.7061	1.8356	2.0973
Dominican Rep	(D Peso)	21.5093	10.9156	7.4042	8.4599
Ecuador	(Sucre)	1720.35o	873.053	592.203	676.637
		1666.31x	845.628	573.601	655.382
Egypt	(Egyptian £)	5.5625	2.8178	1.9113	2.1838
El Salvador	(Colon)	12.5589	6.3734	4.3232	4.9395
Equat'l Guinea	(CFA Fr)	490.12	248.729	168.716	192.771
Ethiopia	(Ethiopian Birr)	4.0532	2.0569	1.3952	1.5941
Falkland Is	(Falk £)	1.00	0.5074	0.3442	0.3933
Faroe Is	(Danish Kroner)	11.1425	5.6546	3.8356	4.3824
Fiji Is	(Fiji $)	2.8225	1.4323	0.9716	1.1101
Finland	(Markka)	6.9770	3.5407	2.4017	2.7441
France	(Fr)	9.8025	4.9746	3.3743	3.8554
Fr. Cty/Africa	(CFA Fr)	490.12	248.729	168.716	192.771
Fr. Guiana	(Local Fr)	9.8025	4.9746	3.3743	3.8554
Fr. Pacific Is	(CFP Fr)	174.0	88.3024	59.8967	68.4365
Gabon	(CFA Fr)	490.12	248.729	168.716	192.771
Gambia	(Dalasi)	14.933	7.5782	5.1404	5.8733
Germany	(D-Mark)	2.9050	1.4742	1	1.1425
Ghana	(Cedi)	676.9105	343.522	233.016	266.238
Gibraltar	(Gib £)	1.00	0.5074	0.3442	0.3933
Greece	(Drachma)	299.775	152.131	103.193	117.906
Greenland	(Danish Krone)	11.1425	5.6546	3.8356	4.3824
Grenada	(E Carr $)	5.3325	2.7061	1.8356	2.0973
Guadaloupe	(Local Fr)	9.8025	4.9746	3.3743	3.8554
Guam	(US $)	1.9705	1	0.6783	0.775
Guatemala	(Quetzal)	10.5374	5.3475	3.6273	4.1445
Guinea	(Fr)	1224.5a	621.416	421.515	481.613
		592.5n	300.685	203.959	233.038
Guinea-Bissau	(Peso)	1283.75	651.484	441.91	504.916
Guyana	(Guyanese $)	87.90	44.6079	30.2581	34.5722
Haiti	(Gourde)	9.875u	5	3.3993	3.8839
Honduras	(Lempira)	11.5655	5.8693	3.9812	4.5488
Hong Kong	(HK $)	15.40	7.8152	5.3012	6.057
Hungary	(Forint)	118.3462	60.0589	40.7387	46.5471
Iceland	(Icelandic Krona)	106.77	54.1842	36.7538	41.9941
India	(Indian Rupee)	35.00	17.7619	12.0481	13.7659
Indonesia	(Rupiah)	3697.79	1876.57	1272.91	1454.39
Iran	(Rial)	124.75	63.3088	42.9432	49.0658
Iraq	(Iraqi Dinar)	0.6114	0.3102	0.2104	0.2404
Irish Rep	(Punt)	1.0830	0.5496	0.3728	0.4259
Israel	(Shekel)	3.946	2.0025	1.3583	1.552
Italy	(Lira)	2188.25	1110.5	753.27	860.669
Jamaica	(Jamaican $)	15.32	7.7746	5.2736	6.0255
Japan	(Yen)	254.25	129.028	87.5215	100
Jordan	(Jordanian Dinar)	1.2753	0.6471	0.439	0.5015
Kenya	(Kenya Shilling)	45.43	23.055	15.6385	17.8682
Kiribati	(Australian $)	2.5910	1.3148	0.8919	1.019
Korea North	(Won)	1.9157	0.9721	0.6594	0.7534
Korea South	(Won)	1405.55	713.296	483.838	552.822
Kuwait &	(Kuwaiti Dinar)				
Laos	(New Kip)	1376.57	698.589	473.862	541.424
Lebanon	(Lebanese £)	1387.8	704.288	477.728	545.841
Lesotho	(Maluti)	4.9845	2.5295	1.7158	1.9604
Liberia	(Liberian $)	1.9705	1	0.6783	0.775
Libya	(Libyan Dinar)	0.5248	0.2663	0.1806	0.2064
Liechenstein	(Swiss Fr)	2.4525	1.2446	0.8442	0.9646
Luxembourg	(Lux Fr)	59.80	30.3476	20.5851	23.5201
Macao	(Pataca)	15.9104	8.0742	5.4769	6.2577
Madagascar	(MG Fr)	2594.25	1316.54	893.029	1020.35
Madeira	(Port Escudo)	255.80	129.815	88.055	100.61
Malawi	(Kwacha)	4.9875	2.531	1.7168	1.9616
Malaysia	(Ringgit)	5.3175	2.6985	1.8304	2.0914
Maldive Is	(Rufiya)	18.7842	9.5327	6.4661	7.388
Mali Rep	(CFA Fr)	490.12	248.729	168.716	192.771
Malta	(Maltese £)	0.5805	0.2945	0.1998	0.2283
Martinique	(Local Fr)	9.8025	4.9746	3.3743	3.8554
Mauritania	(Ouguiya)	155.551	78.9398	53.5459	61.1803
Mauritius	(Maur Rupee)	27.35	13.8797	9.4148	10.7571
Mexico	(Mexican Peso)	5811.94a	2949.47	2000.67	2285.92
		5771.34d	2928.87	1986.69	2269.95
Miquelon	(Local Fr)	9.8025	4.9746	3.3743	3.8554
Monaco	(French Fr)	9.8025	4.9746	3.3743	3.8554
Mongolia	(Tugrik)	6.6271	3.3631	2.2812	2.6065
Montserrat	(E Carr $)	5.3325	2.7061	1.8356	2.0973
Morocco	(Dirham)	15.9511	8.0949	5.4909	6.2737
Mozambique	(Metical)	1928.29	978.579	663.783	758.423
Namibia	(S A Rand)	4.9845	2.5295	1.7158	1.9604
Nauru Is	(Australian $)	2.5910	1.3148	0.8919	1.019
Nepal	(Nepalese Rupee)	59.0722	29.9782	20.3346	23.2339
Netherlands	(Guilder)	3.2750	1.662	1.1273	1.2881
N'nd Antilles	(A/Guilder)	3.5352	1.794	1.2169	1.3904
New Zealand	(NZ $)	3.2430	1.6457	1.1163	1.2756
Nicaragua	(Cordoba)	3327875.0	1688848	1145568	1308899
Niger Rep	(CFA Fr)	490.12	248.729	168.716	192.771
Nigeria	(Naira)	16.2937	8.2688	5.6088	6.4085
Norway	(Nor. Krone)	11.3600	5.765	3.9104	4.468
Oman	(Rial Omani)	0.7563	0.3838	0.2603	0.2974
Pakistan	(Pak. Rupee)	42.50	21.5681	14.6299	16.7158
Panama	(Balboa)	1.9705	1	0.6783	0.775
Papua New Guinea	(Kina)	1.8690	0.9484	0.6433	0.7351
Paraguay	(Guarani)	2392.17	1213.99	823.466	940.873
Peru	(Inti)	867157.3	440070	298505	341065
Philippines	(Peso)	52.50	26.6429	18.0722	20.6489
Pitcairn Is	(£ Sterling)	1.00	0.5074	0.3442	0.3933
	(NZ $)	3.2430	1.6457	1.1163	1.2756
Poland	(Zloty)	18638.0	9458.51	6415.83	7330.58
Portugal	(Escudo)	255.80	129.815	88.055	100.61
Puerto Rico	(US $)	1.9705	1	0.6783	0.775
Qatar	(Riyal)	7.1563	3.6317	2.4634	2.8146
Reunion Is. de la	(F/Fr)	9.8025	4.9746	3.3743	3.8554
Romania †	(Leu)	67.611	34.311	23.2736	26.5919
Rwanda	(Fr)	138.5136	70.2935	47.681	54.4792
St Christopher	(E Carr $)	5.3325	2.7061	1.8356	2.0973
St Helena	(£)	1.00	0.5074	0.3442	0.3933
St Lucia	(E Carr $)	5.3325	2.7061	1.8356	2.0973
St Pierre	(French Fr)	9.8025	4.9746	3.3743	3.8554
St Vincent	(E Carr $)	5.3325	2.7061	1.8356	2.0973
San Marino	(Italian Lira)	2188.25	1110.5	753.27	860.669
Sao Tome	(Dobra)	297.6325	151.044	102.455	117.063
Saudi Arabia	(Riyal)	7.3715	3.7409	2.5375	2.8993
Senegal	(CFA Fr)	490.12	248.729	168.716	192.771
Seychelles	(Rupee)	9.62	4.882	3.3115	3.7836
Sierra Leone	(Leone)	333.80	169.399	114.905	131.288
Singapore	($)	3.3750	1.7127	1.1617	1.3274
Solomon Is	($)	5.1103	2.5934	1.7591	2.0099
Somali Rep	(Shilling)	5174.5	2625.98	1781.24	2035.2
South Africa	(Rand)	4.9845c	2.5295	1.7158	1.9604
		6.9514g	3.5277	2.3929	2.734
Spain	(Peseta)	184.15	93.4534	63.3907	72.4287
Spanish Ports in N Africa	(Sp Peseta)	184.15	93.4534	63.3907	72.4287
Sri Lanka	(Rupee)	78.50	39.8376	27.0223	30.8751
Sudan Rep	(£)	8.8875o	4.5102	3.0593	3.4955
		22.6137g	11.4761	7.7844	8.8942
Surinam	(Guilder)	3.5273	1.79	1.2142	1.3873
Swaziland	(Lilangeni)	4.9845	2.5295	1.7158	1.9604
Sweden	(Krona)	10.9025	5.5328	3.753	4.2881
Switzerland	(Fr)	2.4525	1.2446	0.8442	0.9646
Syria	(£)	41.475	21.0479	14.2771	16.3126
Taiwan	($)	53.875	27.3407	18.5456	21.1897
Tanzania	(Shilling)	384.15	194.951	132.238	151.091
Thailand	(Baht)	49.45	25.0951	17.0223	19.4493
Togo Rep	(CFA Fr)	490.12	248.729	168.716	192.771
Tonga Is	(Pa Anga)	2.5910	1.3148	0.8919	1.019
Trinidad/Tobago	($)	8.3937	4.2596	2.8893	3.3013
Tunisia	(Dinar)	1.6207	0.8224	0.5579	0.6374
Turkey	(Lira)	5419.73	2750.43	1865.66	2131.65
Turks & Caicos	(US $)	1.9705	1	0.6783	0.775
Tuvalu	(Australian $)	2.5910	1.3148	0.8919	1.019
Uganda	(New Shilling)	1005.27	510.16	346.048	395.386
U A E	(Dirham)	7.2202	3.6641	2.4854	2.8398
United Kingdom	(£)	1.00	0.5074	0.3442	0.3933
United States	(US $)	1.9705	1	0.6783	0.775
Uruguay	(Peso)	2855.77	1449.26	983.053	1123.21
USSR	(Rouble)	1.0795	0.5478	0.3716	0.4245
Vanuatu	(Vatu)	223.00	113.169	76.7641	87.7089
Vatican	(Lira)	2188.25	1110.5	753.27	860.669
Venezuela	(Bolivar)	99.3192	50.403	34.189	39.0636
Vietnam	(Dong)	12442.5	6314.39	4283.13	4893.81
Virgin Is-British	(US $)	1.9705	1	0.6783	0.775
Virgin Is-US	(US $)	1.9705	1	0.6783	0.775
Western Samoa	(Tala)	4.4643	2.2655	1.5367	1.7558
Yemen	(Rial)	23.7987	12.0774	8.1923	9.3603
Yemen PDR	(Dinar)	0.9105	0.462	0.3134	0.3581
Yugoslavia	(Dinar)	20.2279	10.2653	6.9631	7.9559
Zaire Rep	(Zaire)	1428.0	724.689	491.566	561.652
Zambia	(Kwacha)	82.50	41.8675	28.3993	32.4483
Zimbabwe	($)	5.0225	2.5488	1.7289	1.9754

Special Drawing Rights November 16, 1990 United Kingdom £0.738012 United States $1.44488 Germany D Mark 2.13698 Japan Yen187.545 European Currency Unit Rates November 19,1990 United Kingdom £0.705837 United States $1.39509 Germany D Mark 2.04799 Japan Yen178.990

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; & Kuwaiti Dinar unavailable. (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; ‡ China: currency devalued by 9.57% against the dollar (Nov. 17). † Romania: Leu devalued by approx. 70% (Nov. 1).
(s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, November 19, 1990.

INTERNATIONAL CAPITAL MARKETS

Gilts rise ahead of Tory vote for party leader

By Stephen Fidler in London and Patrick Harverson in New York

UK government bonds closed with gains, despite today's first round in the ruling Conservative Party leadership election.

Investors appear to consider that whatever the result, a resolution to the issue should benefit the gilt market.

Yesterday, firming in sterling to above the DM2.90 level was also seen as helpful.

Economic statistics remain positive for the bond market. Data showing that gross domestic product shrank 1 per cent in the third quarter confirmed the view that recession had arrived.

This is expected to be underlined by money supply figures tomorrow and trade data due on Thursday for October.

One long benchmark, the 11¾ per cent issue of 2003-07, closed at 102¾, yielding 11.30 per cent, up half a point on Friday's close.

On the futures exchange, 16,400 lots changed hands in the long gilt contract.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-14	+01/32	11.35	11.42	12.00
		9.800	03/00	87-14	+08/32	11.20	11.30	11.54
		9.000	10/08	86-14	+13/32	10.85	11.06	11.07
US TREASURY *		8.750	08/00	101-01	-08/32	8.35	8.41	8.61
		8.750	08/20	102-28	-10/32	8.48	8.55	8.75
JAPAN	No 119	4.800	6/99	85.2276	+0.223	7.86	7.82	7.78
	No 129	6.400	03/00	94.8974	+0.271	7.32	7.53	7.51
GERMANY		9.000	10/00	100.5850	+0.215	8.89	9.03	8.94
FRANCE	BTAN	9.800	11/95	96.4557	+0.292	10.20	10.23	10.13
	OAT	8.500	03/00	89.8400	+0.170	10.22	10.31	10.22
CANADA *		10.500	07/00	98.8500	0.000	10.52	10.67	11.11
NETHERLANDS		9.250	11/00	100.6800	0.000	9.14	9.18	9.18
AUSTRALIA		13.000	07/00	102.7161	-0.339	12.50	12.76	13.40

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

After opening at 84.14, the active December contract rallied to 84.30, before falling back to an official close of 84.18.

However, in after-hours trading, something of a rally was under way and the market rose to around 84.25.

■GERMAN government bonds rose in early trading, only to reverse the gains in the afternoon and close little changed.

The positive opening mood was attributed in part to the covering of some short positions after Friday's market moves, while there was significant buying of cash bonds by spread traders, who profit by arbitraging between the cash and futures markets. In Frankfurt, the Bundesbank took the opportunity to sell close to DM400bn of bunds and other state paper.

The German Federal Railway also launched a DM2bn domestic bond with a 9 per cent coupon priced at 100.80 to yield 8.88 per cent.

The bonds closed at 100.00-05, which allowed consortium banks a profit on the transaction.

At a discount equivalent to their fees, the bonds would sell at 99.925.

Dealers said the issue was well received, with some retail buying among those who missed out on last week's rally. However, the weakness in the US bond market was the chief factor undermining the German market in the afternoon.

The DM17bn 9 per cent Bund issue launched early this month closed at 100.62-68, little changed on Friday.

In the London futures market, nearly 48,000 contracts changed hands.

■US Government bonds moved lower yesterday morning as the market continued to absorb the implications of Friday's decision by the Federal Reserve to ease monetary policy.

News that Iraq was sending more troops into Kuwait provoked the early selling but the general tone remained firm.

The benchmark 30-year Treasury issue slipped ⅛ a point to 102⅞, yielding 8.49 per cent, while at the short end of the market the two-year bond ended the morning session little changed at 100⅜, to yield 7.588 per cent.

Last Friday, the Fed signalled to the market via an injection of liquidity into the banking system that it would like to see the Fed funds rate fall from 7¾ per cent to 7½ per cent.

Yesterday the rate stayed stubbornly above the 7½ per cent target, prompting the Fed to initiate two-day system repurchases, indicating it wanted the rate, and therefore short-term US interest rates, lower. Fed funds ended the morning session at 7⅜.

Amex launches cheap index options

By Deborah Hargreaves

THE American Stock Exchange is to launch its long-term, low-price stock index options next week as products designed to appeal to retail investors.

The options will be based on the exchange's current XMI stock index which includes 20 blue chip stocks.

In a bid to attract more individual investors to the product, the Amex will make the long-term options one-twentieth of the price of the XMI.

This will mean that, for an investment of just a couple of hundred dollars, a retail investor will be able to gain exposure to the stock market over two to three years.

Many individual investors have proved strong buyers of over-the-counter equity index warrants, which give them a play on a particular stock index over a long period.

Options generally expire after nine months.

The first series of the new LT-20s, as the Amex will call the product, will expire in December 1992.

Later, the exchange plans to add options expiring in December 1993.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on November 19

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	100⅝	100⅞		8.65
ALBERTA PROVINCE 9 3/8 95	600	102¼	102⅝		8.79
AUSTRIA 8 1/2 00	400	96⅛	96½		9.13
BANK OF TOKYO 8 3/8 96	100	96⅝	97⅛	+⅛	9.18
BELGIUM 9 1/8 92	400	101¼	101¾		8.33
BFCE 7 3/4 97	150	94¾	95¼	+¼	8.86
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅞	92⅝		10.12
KREDIETBANK 7 93 LFr	1000	93	94		10.04
WORLD BANK 8 96 LFr	1000	92¾	93¾		9.89
AMRO BANK 6 1/4 92 Fl	155	94⅝	95⅛		9.72
RABOBANK 5 3/4 93 Fl	150	92¼	93	-⅛	9.67
ALBERTA PROVINCE 10 92 C$	500	97¼	98⅛		11.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GENERAL ELECTRIC 5 3/4 93	35000	95⅝	96⅛	+⅛	7.82
INTER AMER DEV 7 1/4 00	30000	99⅝	100	+⅛	7.28
ITALY 5 3/4 92	150000	98⅛	98⅝	+⅛	7.34
KANSAI ELEC PWR 4 5/8 94	60000	91⅝	91⅞	+⅛	7.46
NIPPON TEL & TEL 5 7/8 96	50000	93⅛	93⅝	+⅛	7.36
NORWAY 5 1/8 95	50000	91⅞	92	+⅛	7.39
SWEDEN 5 5/8 95	20000	92⅝	93⅛	+⅛	7.49
WORLD BANK 6 3/4 00	50000	96½	96¾	+⅛	7.27

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MITSUBISHI BK 1 3/4 02	300	2727.1	77⅛	78⅝	+1.00
OGDEN 6 02	85	39.077	61⅞	62⅞	+28.49
PACIFIC DUNLOP 6 3/4 97	75	3.749	101¼	102¼	+1.00
TEXAS INSTRUMENTS 2 3/4 02	900	82⅞	77⅞	78⅞	
THORN EMI 5 3/4 04 £	103	7.45	103	104¼	+23.97

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

INTERNATIONAL CAPITAL MARKETS

DTB predicts bund futures growth

By Katharine Campbell in Frankfurt

MR Rolf Breuer, chairman of the Deutsche Terminbörse (DTB) and a managing director of Deutsche Bank, yesterday predicted that business in "bund" financial futures would eventually be divided equally between the London and Frankfurt exchanges.

The DTB, the computerised German options exchange started in January, will introduce its first two futures contracts on Friday — a German government bond contract whose design replicates the London International Financial Futures Exchange product, and a future on the DAX index of the top 30 German equities.

Mr Breuer stressed yesterday that German banks would not immediately withdraw their business from Liffe in support of their home market. Last month, Liffe traded a daily average of nearly 30,000 contracts, down on earlier in the year but still making the bund one of the exchange's busiest contracts.

With perhaps a third of that business coming from Germany, Liffe takes the DTB competition seriously. Because Liffe still operates from the physical pit for most of each trading session, the new DTB bund contract will also be watched to see how well a computerised trading system matches up to the open outcry method.

"Initially, we will not so much be withdrawing existing orders, but bringing in additional customers who have hitherto not used the bund contract," Mr Breuer explained. In this context, he particularly drew attention to savings banks, for whom the London exchange was "too far away".

The bigger banks would operate on both exchanges, testing the merits of the two contracts. Any decisions regarding transferring business would be made later.

The DAX future will be the first of its kind, and of particular interest to foreign investors, according to brokers. But it will be limited to the official hours of the Frankfurt stock exchange. Outside these three hours, the market is still insufficiently transparent to support a futures contract; a full day of DAX trading will have to await next April, the projected date for computerisation of the country's stock exchanges.

Mr Jörg Franke, chief executive, forecast an average daily volume for bund futures in 1991 of 10,000 to 15,000 contracts, with 5,000 to 10,000 contracts for the DAX.

CSFB to withdraw from CP market

By Stephen Fidler, Euromarkets Correspondent

CREDIT Suisse First Boston yesterday became the latest prominent dealer to withdraw from the Eurocommercial paper market.

Its announcement follows withdrawals last month from the sterling and Eurocommercial paper markets of S.G. Warburg, the UK merchant bank, and Merrill Lynch and Bankers Trust during the previous year.

CSFB's move reflected the meagre returns available on Euro-CP, the reason cited by other firms which have departed the market.

Timing of the closure appears to reflect the restructuring at the troubled US investment bank, following the announcement last week that new capital was to be injected into the business by its Swiss parent, Crédit Suisse.

First Boston's US commercial paper operations are said to be unaffected.

CSFB was dealer on 187 programmes, making it one of the most significant market intermediaries.

Because annual returns on placing paper are no more than an annual 3 basis points, a shake-out of the commercial paper market had been predicted.

Other dealers have reduced their commitment to the market as many issuers of lower quality paper or paper unrated by the main credit rating agencies have been unable to find buyers.

The latest withdrawal puts the dollar-denominated Euro-CP market into the hands of a few dealers, such as Citicorp, Lehman Brothers, Swiss Bank and Union Bank of Switzerland.

This reflects the position in the much larger CP market in the US, which is dominated by a few dealers.

● First Chicago International said yesterday it was closing its foreign exchange trading operation in Manhattan and consolidating those activities at its main office in Chicago, Agencies report.

No jobs will be shed as a result.

Small investors flock to Japan's rural stock shops

Robert Thomson finds an individualist approach

When the Tokyo market closes each afternoon, the pews at a stock shop 460km away in the city of Ise City are crowded with punters staring at a bank of television screens, pointing to the big movers of the day and calculating the gains or losses on their modest portfolios.

The market is down by as much as 48 per cent this year but losses have yet to dent the confidence of these retired small-town shopkeepers and pensioned-off factory managers who thumb through the stock lists searching for a sure thing for the next day's trading.

They, and thousands like them in stock shops around provincial Japan, are the front line of small investors whom listed Japanese companies, their stock prices sagging, now claim to be courting with renewed vigour after eight straight years of declining dividend payments.

Purchases by individuals are averaging about 20 per cent of Tokyo Stock Exchange turnover by value, compared with about 95 per cent of purchases at the Ise Securities Company. Mr Kiyotaka Kawamura, the company's president, said that the market plunge had made the locals less content with their lot.

"There is a general feeling among investors that companies should do more. Dividends should be higher. There is not much profit in just holding shares," said Mr Kawamura, a former soy sauce factory manager and real estate agent.

A 70-year-old man, tracing his companies' prices on a small monitor, said the slump had not diminished the fun of share purchases, though big profits on price movements were harder to come by: "You can't depend on dividends, it's price that matters most."

Mr Kawamura said there was a certain loyalty to regionally-based companies, such as the Kintetsu Railway group, which offers free rail passes to stockholders, but investors were "basically looking for a steady profit."

He said a few cash-rich Ise companies indulged in *zaitech*, the financial engineering fashionable among Japanese corporations, but companies in the region generally did not want to risk their sales revenue.

Hiroki Mori: 'Most important thing is to talk to people'

"The most important means for us to find new customers is word of mouth. An old customer will often tells us of a neighbour or friend who is thinking of buying stocks, and then we will give them a call," he said. Customers commonly invest a total of about Y15m ($116,000), and particularly good commissions come from the stock shop sitters who buy and sell on a daily basis.

As for customers who are investing too much, Mr Kawamura takes the role of barman with a drinker who has had one too many beers: "There is a very close relationship with the customers, and we will encourage them not to buy shares if we think they have purchased too many."

That relationship has probably been an important reason for a claimed fall of only 3 per cent in commissions at Ise Securities in the first half to the end of September, a striking contrast with the falls of around 30 per cent at the large Tokyo houses.

The 1,971 listed firms in Japan recorded a 22.6 per cent increase in after-tax profit for the year, but their dividend ratio payment was down by 0.49 to 27.64 per cent. Morgan Stanley, the US securities house, estimated a dividend payment rate last year of 49.4 per cent in the US, 56 in the UK and 52.4 in Germany.

Mr Hiroki Mori, a third-generation president of Gifu Dai-Ichi Securities, in Gifu population 411,000, said his commission volume was down 25 per cent this year, but customers had not panicked. The company has four offices in a region renowned for fiscal conservatism, a quality Mr Mori said had prompted customers to keep their shares.

Average monthly stock purchases by families in the area, near Nagoya, Japan's third largest city, is Y946, compared with Y2,716 in Tokyo and a national average of Y2,032. Even when losses were mounting, Mr Mori said, "the Gifu people didn't sell."

The company is trying to boost lagging turnover by encouraging women to buy shares, and has hired young women to run door-to-door campaigns because "they find it easier to talk to housewives." He estimated that about 1 per cent of door-knocks produced a new customer, and the 12 sales staff call at 40 to 50 houses a day.

"The most important thing for a local securities company is to talk to people. When the market really goes down, a lot of people come in here for a talk."

Creditors of DFC agree shake-up

By Stephen Fidler, Euromarkets Correspondent

CREDITORS holding more than 99 per cent of the debts of DFC New Zealand, the merchant bank which collapsed last year, have agreed to a debt restructuring plan, its statutory manager said yesterday.

Agreement was necessary from 75 per cent of the creditors to put the plan in place. The biggest creditors are a circle of leading Japanese banks.

It will eventually repay holders in full and will be implemented on December 7.

The company owed NZ$2.2bn (US$1.35bn) to a wide variety of creditors.

The plan was put to creditors in October and acceptance was widely expected.

Mr Sandy Maier, DFC's statutory manager, said that acceptance of the plan meant that DFC could now concentrate on realising its assets.

He added that the move also put to rest the possibility of "a great deal of potential litigation."

He said he was confident that the remaining creditors would seek to join in after hearing of the positive response.

J.P. Morgan acted as financial adviser in developing the proposal and communicating it to creditors.

Citicorp in £400m mortgage deal

By Deborah Hargreaves

CITICORP made its first step into the sterling mortgage-backed securities market yesterday when it launched £400m of floating-rate bonds through a special purpose vehicle called Superior Tradeable Residential Securities (Stars). The move is the first in a bid to sell its entire £2bn UK mortgage book.

But it was an inauspicious time for the bank to try to free its balance sheet of these assets, since investor demand in the UK and abroad has shrunk in recent weeks, and the uncertainty in the UK political scene has depressed the market.

The narrowing of investor demand for mortgage securities was reflected in the pricing of the Citicorp deal which pays an all-in rate of 40.25 basis points over London interbank offered rate for an average life of 3½ years.

This is at least 10 basis points above the rate of other recent mortgage deals and is an indication of the recent widening in spreads on building society paper. But many market players believe that even the higher price of the deal will not be sufficient to attract investors for the full £400m of bonds.

INTERNATIONAL BONDS

Barings, which brought the deal to the market, said it was seeing reasonable sales of the bonds late yesterday, but some other syndicate members were finding it harder to offload their allocation. The bonds were expected to remain in syndication all night.

Investor demand has not been improved by the delay of the bonds' launch by several days – the issue was first mooted last Wednesday. When the issue was first discussed, it was expected to be for £500m of bonds, but this was scaled back when the tightness in demand became apparent.

Nevertheless, the lead manager, which had pre-sold many of the bonds, was confident last night that they would be seen to have value and pave the way for other Citicorp issues during the next couple of years.

The deal was expected to be rated AAA by Moody's and Standard & Poor's, the US rating agencies.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
AUSTRALIAN DOLLARS						
Deutsche Bk.Australia Ltd◆(a	100	12⅛	100.95	1993	1½/1	Deutsche Bk Cap.Mkts.
CANADIAN DOLLARS						
Gen.Elec.Capital Canada(b)◆	125	11¼	101.65	1995	1⅞/1¼	ScotiaMcLeod Inc.
SWISS FRANCS						
Credit Local de France◆	100	7½	102	1996	-	Banque Paribas Suisse
ABB Capital◆	50	8	101.38	1990	-	SBC
KDK Corp.§◆(f)	50	6	100	1995	-	Nikko (Switz) Fin.Co.
STERLING						
Stars 1 Plc.†◆(g)	400	(c)	100	2029	30bp	Baring Bros & Co Ltd
ECUs						
Interfinance Cred.Nat.NB◆(a)	100	10¼	101⅞	1995	1⅞/1¼	Bank of Tokyo Cap.Mkts.
SWEDISH KRONOR						
Unibank◆(a)	400	13¾	101¾	1996	1⅞/1¼	Unibank AS
YEN						
Toronto Dom.Bk(Cayman)†(d)	2.5bn	(e)	100⅞	1991	-	LTCB Int.

◆Final terms. †Floating rate note. §Convertible. a)Non-callable. b)Long first coupon. Non-callable. c)+35bp for yrs 1-10, then 3-month Libor + 50bp. d)Nikkei-linked. e)First 3 months + 1 day Libor + ⅛, next 9 months 8%. f)Put option on 31.03.93 at 107% to yield 9.002%. g)Average life of deal 3½ years.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Nov 19 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Nov 16 Index No.	Thu Nov 15 Index No.	Wed Nov 14 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	704.43	+1.8	15.24	6.77	8.02	34.18	691.95	689.47	685.05	859.68
2	Building Materials (26)	944.05	+1.9	15.40	6.47	7.98	41.09	926.43	912.79	904.56	1042.32
3	Contracting, Construction (34)	1135.69	+1.7	16.58	7.05	7.83	59.48	1116.77	1116.62	1111.88	1395.36
4	Electricals (10)	1861.98	+2.2	15.07	7.23	8.12	99.22	1821.06	1804.91	1799.03	2437.35
5	Electronics (26)	1603.25	+1.3	10.52	5.36	12.95	60.29	1583.08	1584.95	1574.89	1873.83
6	Engineering-Aerospace (8)	405.67	+1.5	16.53	6.00	7.25	17.27	399.58	396.35	390.22	0.00
7	Engineering-General (47)	352.25	+1.3	16.47	7.34	7.32	18.02	347.71	348.26	347.04	0.00
8	Metals and Metal Forming (8)	387.32	-1.4	23.94	8.82	5.14	24.83	392.91	393.66	395.44	455.85
9	Motors (13)	286.84	+3.8	17.41	8.39	6.69	17.45	276.37	271.74	268.74	351.07
10	Other Industrial Materials (23)	1172.76	+2.7	14.38	6.95	8.03	62.04	1141.50	1144.84	1138.19	1588.38
21	CONSUMER GROUP (177)	1195.81	+1.1	10.20	4.29	12.15	35.49	1182.27	1178.68	1173.49	1232.09
22	Brewers and Distillers (22)	1531.67	+1.8	10.21	3.86	11.86	33.88	1505.09	1493.49	1473.49	1386.48
25	Food Manufacturing (19)	1008.14	+1.2	11.60	4.88	10.63	31.63	996.36	993.47	988.06	1090.73
26	Food Retailing (16)	2232.82	+0.9	9.77	3.32	13.35	58.72	2213.69	2214.35	2211.85	2236.11
27	Health and Household (18)	2369.76	+0.1	7.50	3.20	15.80	59.14	2366.33	2372.95	2399.80	2484.43
29	Leisure (31)	1230.19	+1.5	12.39	5.41	9.81	44.64	1212.60	1202.53	1186.98	1556.25
31	Packaging & Paper (12)	489.21	+2.2	13.16	7.11	9.33	23.79	478.88	478.86	478.88	523.92
32	Publishing & Printing (13)	2914.03	+1.7	12.13	6.44	10.35	139.88	2864.97	2872.18	2848.74	3577.69
34	Stores (34)	812.39	+1.6	10.52	4.48	12.35	25.63	799.69	794.47	784.87	747.12
35	Textiles (12)	415.52	-0.1	14.37	8.54	8.83	26.32	415.92	410.33	409.04	502.02
40	OTHER GROUPS (107)	970.32	+1.5	12.87	5.92	9.43	33.65	955.95	952.30	944.07	1107.15
41	Agencies (15)	940.23	-0.9	11.33	3.58	10.68	23.93	948.66	958.38	962.39	1490.62
42	Chemicals (24)	1013.58	+1.2	13.20	6.63	8.93	50.79	1001.92	996.22	1003.69	1166.25
43	Conglomerates (14)	1252.95	+2.2	13.57	8.00	8.85	41.19	1225.89	1215.74	1208.29	1585.07
44	Transport (15)	1802.30	+2.3	14.04	5.60	8.84	72.05	1762.47	1745.47	1736.14	2124.37
46	Telephone Networks (3)	1122.71	+2.1	11.83	4.46	11.01	26.09	1099.96	1094.79	1070.30	1091.24
47	Water (10)	2009.21	+1.8	14.44	6.74	7.85	68.12	1973.13	1964.69	1949.16	0.00
48	Miscellaneous (26)	1490.41	+0.2	12.55	6.05	9.25	63.59	1487.54	1493.42	1478.06	1832.08
49	INDUSTRIAL GROUP (479)	1006.75	+1.4	12.12	5.33	10.12	35.60	992.86	989.49	983.41	1113.94
51	Oil & Gas (21)	2250.45	+1.0	9.94	5.59	13.14	95.39	2229.25	2239.52	2243.05	2159.57
59	500 SHARE INDEX (500)	1108.97	+1.3	11.79	5.37	10.48	40.42	1094.42	1092.05	1086.64	1201.67
61	FINANCIAL GROUP (102)	703.04	+0.8	-	6.79	-	34.02	697.75	689.77	679.77	769.66
62	Banks (9)	752.77	+1.8	21.73	7.66	6.03	42.00	739.80	727.23	715.48	797.46
65	Insurance (Life) (7)	1271.06	-1.2	-	6.04	-	56.82	1286.94	1276.77	1261.37	1262.71
66	Insurance (Composite) (6)	604.74	+0.2	-	7.07	-	32.08	603.61	598.99	579.05	635.55
67	Insurance (Brokers) (8)	959.39	-0.2	7.93	6.70	16.51	48.39	961.04	935.93	918.46	1068.39
68	Merchant Banks (7)	338.30	+1.0	5.73	6.05	23.26	14.24	335.02	334.47	334.41	421.69
69	Property (44)	956.61	+1.0	7.74	5.11	17.06	30.55	947.41	941.23	942.58	1154.37
70	Other Financial (21)	243.91	+0.1	11.59	7.39	11.08	13.00	243.71	243.06	242.09	320.23
71	Investment Trusts (70)	1001.48	+1.2	-	4.02	-	28.74	989.79	988.37	992.24	1206.88
91	Overseas Traders (5)	1162.27	+4.6	12.28	7.95	9.69	70.90	1110.91	1075.03	1074.57	1374.99
99	ALL-SHARE INDEX (677)	1009.06	+1.3	-	5.55	-	38.48	996.49	992.83	986.82	1098.62

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Year ago
FT-SE 100 SHARE INDEX‡	2095.9	+27.9	2105.7	2068.3	2068.0	2060.0	2046.0	2056.0	2051.9	2183.1

FIXED INTEREST

	PRICE INDICES	Mon Nov 19	Day's change %	Fri Nov 16	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	119.26	+0.13	119.10	-	10.71
2	5-15 years	124.65	+0.41	124.14	-	11.95
3	Over 15 years	124.87	+0.57	124.16	-	10.78
4	Irredeemables	139.98	+0.54	139.23	-	13.46
5	All stocks	124.71	+0.33	124.30	-	11.55
	Index-Linked					
6	Up to 5 years	157.24	+0.11	157.07	-	3.04
7	Over 5 years	143.17	+0.36	142.66	-	3.45
8	All stocks	144.11	+0.33	143.63	-	3.42
9	Debentures & Loans	100.75	+0.09	101.96	1.30	10.99
10	Preference	72.51	-0.40	73.39	0.60	6.44

	AVERAGE GROSS REDEMPTION YIELDS		Mon Nov 19	Fri Nov 16	Year ago (approx.)
	British Government				
1	Low	5 years	10.23	10.25	10.11
2	Coupons	15 years	10.68	10.73	9.82
3		25 years	10.73	10.78	9.75
4	Medium	5 years	11.25	11.31	11.25
5	Coupons	15 years	11.15	11.22	10.21
6		25 years	11.08	11.15	9.86
7	High	5 years	11.37	11.43	11.37
8	Coupons	15 years	11.36	11.43	10.41
9		25 years	11.34	11.42	10.00
10	Irredeemables	†	10.92	10.98	9.82
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.86	3.90	3.76
12	Inflation rate 5%	Over 5 yrs.	4.21	4.24	3.69
13	Inflation rate 10%	Up to 5 yrs.	2.53	2.57	2.86
14	Inflation rate 10%	Over 5 yrs.	4.02	4.04	3.51
15	Debs &	5 years	13.37	13.36	12.59
16	Loans	15 years	12.88	12.87	12.09
17		25 years	12.51	12.51	12.09
18	Preference	†	12.98	12.93	10.75

‡Opening index 2068.3; 9 am 2093.8; 10 am 2092.1; 11 am 2093.9; Noon 2095.7; 1 pm 2104.5; 2 pm 2104.8; 2.30 pm 2102.9; 3 pm 2099.4; 4.10 pm 2095.1; (a) 1.33pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	75	0	11
Corporations, Dominion and Foreign Bonds	6	3	12
Industrials	466	228	853
Financial and Properties	243	101	398
Oils	33	19	39
Plantations	4	0	6
Mines	15	49	88
Others	62	58	83
Totals	904	458	1,490

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
155	F.P.	-	160	155	‡Brabant Resources £1	159	+4	-	-	-	-
2	F.P.	-	4½	3	Finlan Group 1p	3		-	-	-	-
-	F.P.	-	22	20	‡MMI 1p	22		†1.0	2.4	6.1	8.5
†	F.P.	-	17	8	‡Paramount 2½p	9½	+¼	-	-	-	-
†	F.P.	-	53	31	‡Pelican 20p	31		-	-	-	-
$100	F.P.	-	96	78	Smaller Cos. Inv. Tst50p	80	+1	-	-	-	-
-	F.P.	-	23	19	Do. Warrants	20		-	-	-	-
225	F.P.	-	245	190	‡Standard Platform 10p	190		-	-	-	-
†	F.P.	-	126	117	Unichem 10p	118		R4.5	2.5	5.1	8.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	63	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	63xd	-5
‡	Nil	29/11	3pm	2pm	‡Brewmaker Cv. Rd. Prf. 70p	2pm	
100p	F.P.	28/9	102p	91p	Perkins Foods 8p (Net) Cv Rd Pf	98p	+2
100p	F.P.	-	121p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	119½p	+½
100	F.P.	-	110½	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	106½	+1
100p	F.P.	-	105p	45p	Wyndham Group 9.375pc Cm.Pf	50p	+5

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
11	Nil	-	2pm	¼pm	Caldon Group 5p	2pm	+¼
285	Nil	21/12	218pm	63pm	Eurotunnel Package	163pm	+55
280	Nil	-	24pm	17pm	Low (Wm)	17pm	-2
10	Nil	-	¼pm	¼pm	‡Propeller 1p	¼pm	
1	Nil	27/11	½pm	¼pm	‡Property Trust 1p	¼pm	
100	Nil	-	26pm	17pm	Unichem 10p	18pm	
55	Nil	-	½pm	¼pm	Vivat Hldgs.	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ▼ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ◆ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Nov. 12
- Last Dealings Nov. 23
- Last Declarations Feb. 21
- For settlement March 4

For rate indications see end of London Share Service

Calls in Amstrad, Aviva Pet., BP, Erskine House, Eurotunnel Units, Glencar, Monument Oil & Gas, Tullow Oil and Tuskar Res. Put in Lovell (Y.J.).

LONDON TRADED OPTIONS

THE DERIVATIVE markets continued to move ahead yesterday as a squeeze on the stock market caused securities houses to cover short positions by buying equity futures and selling FT-SE index puts.

The December FT-SE 100 index moved to a strong premium over the underlying market following suggestions that legal questions have been raised about market-markers' established practice of borrowing stock from institutions.

The strength of the futures market prompted arbitrageurs to sell futures and buy shares, thereby pulling the stock market higher.

Prices were also marked higher on hopes that the outcome of the UK Conservative party leadership election will end the current political uncertainty. However, turnover was not high with the larger institutions preferring to wait for the outcome of the election before committing themselves.

December closed 20 points higher at 2,127, while its premium over the cash index finished at 32, compared with brokers' fair value estimate of around 15 points.

In the traded options market, the FT-SE index options attracted attention, with November puts sold when the stock market advanced and then bought back when Wall Street retreated from its opening levels.

A total of 25,649 options were traded, little changed from the previous session. FT-SE options accounted for 9,057 with the November 2,100 puts the busiest.

British Aerospace was the most active stock option, reflecting the advance by the underlying securities. The February 550 calls were the most popular. Lonrho was next on the list after a recent recommendation by S. G. Warburg. A good two-way market developed with the larger trades including the purchase of 200 December 200 calls and the sale of 200 March 200 calls. The other busier stocks were Trusthouse Forte (1,039) and Amstrad (867).

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*479)	420	64	82	87	3½	7	11
	460	33	52	58	13	18	24
	500	14	32	38	33	37	44
ASDA (*129)	120	15	19	23	5	7½	9
	130	9	14	18	8½	12	14
	140	5	9	13	15	18	19
Brit. Airways (*141)	130	19	26	27	4	7	11
	140	12	17	20	8	14	18
	160	4½	9½	13	22	24	28
SmKl Beecham A (*580)	550	47	70	87	11	17	23
	600	19	42	58	33	39	45
	650	7	22	37	72	73	77
Boots (*333)	280	60	71	76	1½	4	5
	300	42	55	59	3½	6	10
	330	20	33	42	12	16	21
B.P. (*324)	[illegible]						
British Steel (*115)	[illegible]						
Bass (*1033)	[illegible]						
C & Wire (*424)	[illegible]						
Courtaulds (*316)	[illegible]						
Com. Union (*469)	[illegible]						
GKN (*305)	[illegible]						
Grand Met. (*590)	[illegible]						
I.C.I. (*865)	[illegible]						
Kingfisher (*388)	[illegible]						
Ladbroke (*279)	[illegible]						
Land Secs (*526)	[illegible]						
M & S (*239)	[illegible]						
STC (*317)	[illegible]						
Sainsbury (*296)	[illegible]						
Shell Trans. (*435)	[illegible]						
Storehouse (*126)	[illegible]						

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Trafalgar (*163)	140	29	35	35	7	13	17
	160	16	20	24	15	23	29
	180	8	14	14	30	35	42
Utd. Biscuits (*320)	300	32	40	45	5½	12	14
	330	14	22	29	19	26	28
	360	5	10	-	42	45	-
Unilever (*649)	600	70	87	99	10	20	23
	650	35	55	70	29	38	46
	700	15	34	45	60	63	70
Ultramar (*339)	300	48	57	65	5	7	10
	330	26	37	45	12	15	20
	360	12	23	31	28	32	33

[illegible]

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*222)	220	8	19	23	6	14	15
	240	1½	9	14	22	25	26
Amstrad (*66)	60	8	12	15	2	4½	7½
	70	2½	7	9	7	9½	11
Barclays (*365)	360	-	37	43	-	25	29
	390	-	23	30	-	43	45
Blue Circle (*208)	200	14	27	31	5½	11	16
	220	5	16	21	17	22	27
British Gas (*225)	220	9	16	22	4½	10	13
	240	2	7	12	18	24	26
Dixons (*144)	140	10	14	20	5	8	12
	160	3	6	13	18	20	23

[illegible]

UK COMPANY NEWS

Foreign electricity tranche favours US

By Clare Pearson

THE US is to be favoured over other regions in the international allocation of shares in the flotation of the 12 regional electricity companies, which is to be launched tomorrow.

Reflecting firm demand for the shares around the world, just over £1bn, or 20 per cent of the expected total value of the flotation, has been earmarked for international investors before clawback provisions for UK private investors.

Of this, nearly £400m is to be sold in the US. By contrast, Japanese investors have been limited to about £230m, or 22 per cent of the overseas tranche.

That leaves 32 per cent for Europe and 8 per cent for Canadian buyers.

The allocation this time marks a substantial turnround from last year's flotation of the UK water companies, when Japan was awarded 52.6 per cent and the US only 9.3 per cent of the overseas tranche.

The much bigger allocation to the US chiefly reflects this year's liberalisation of US rules covering private placements. That has made the private placement market much more attractive to overseas issuers.

The complications of selling a number of companies at once meant that for both water and electricity it was decided not to seek a listing in the US.

The government is also keen to minimise "flow-back", where shares placed overseas are rapidly sold back into the London market.

This has previously plagued its privatisation issues.

US investors are believed to have been enthusiastic buyers of water shares in the secondary market. By contrast, many Japanese buyers were heavy early sellers.

For electricity, Kleinwort Benson, the UK government's financial adviser, has been making rigorous attempts to pinpoint those investors around the world most likely to hold shares over the long term.

Before making its allocation decision, it asked overseas managers to fill in forms stating whether their clients had bought shares in the previous privatisations of British Steel and water, and whether they were still holding them.

However, since the marketing of electricity began in Japan only last Thursday, there will have been little time to amass information supplied by that country.

Some institutions in Germany and Switzerland, where interest in the electricity shares is strong, refused to supply client names to Kleinwort, on the grounds of confidentiality.

There are provisions for Kleinwort to fine-tune its allocation decision by re-allotting 10 per cent of the shares in any region to another one, just before dealings start in London next month.

About 25 per cent of the initial overseas allocation of shares will be clawed back if the UK public offer is heavily subscribed.

The ranking of the 12 electricity companies according to the dividend yield they will provide on flotation was finalised yesterday after lengthy weekend deliberations.

Eastern and Southern have jointly been priced with the lowest yield of about 8 per cent; Northern will provide the highest yield, almost exactly one percentage point higher.

The other companies are in the following order: Seeboard, London, East Midlands, Midlands, South West, Yorkshire, Norweb, South Wales and Manweb.

The yield rankings are intended to make shares in all the companies equally attractive on flotation.

Brent Walker rises 21p on Smurfit deal

By Maggie Urry

SHARES IN Brent Walker, the leisure group which finalised changes to its bankers' agreements over the weekend, rose 21p yesterday to close at 110p.

The price rise followed news of the refinancing and that Jefferson Smurfit, the Dublin-based paper and packaging company, and its chairman Mr Michael Smurfit, were between them putting £25m into Brent Walker's £103.3m convertible bond issue.

The bond issue is due to close on Friday and the bankers' agreement is conditional on Brent Walker receiving at least £99m from the issue. This is expected to be a formality, although the placees of the bond issue were signed up in September, before the group's financial difficulties became apparent.

Shareholders are not expected to claw back much of the bond issue.

In return for the refinancing, which allows Brent Walker a standstill on capital repayments until the end of 1991, the bankers have imposed severe restrictions on the company.

One banker said yesterday that the cornerstone of the deal was a statement of intent from the parties to the agreement about a further refinancing of facilities. This agreement allows the banks to use a report on the group from Touche Ross, the accountants, to design a financing structure based on the group's corporate plan.

The rate of interest on its loans has risen to 2.25 per cent over London interbank offered rate (Libor), compared to an average margin on Brent Walker's debts before the refinancing of about 1 per cent. Brent Walker is also paying the banks an up-front fee.

The group has to obtain the banks' consent before making disposals or purchases and before committing itself to any new capital spending. The banks can also require Brent Walker to maintain a dividend cover of 2.5 times.

However, the covenants imposed by the banks – limits on financial ratios such as gearing and interest cover – have had to be eased since the group had been breaching existing limits.

Intl Marine hits out at Priest 'underperformance'

INTERNATIONAL MARINE, the US marine equipment – little known in the UK – which has mounted a £46.6m hostile cash bid for Benjamin Priest, West Midlands-based engineering group, yesterday wrote to shareholders highlighting what it called the dramatic underperformance of their company's shares since 1987, writes Clare Pearson.

In its offer document, IM says that Priest's shares have underperformed the FT-All Share index by 50.5 per cent since the company acquired Lewmar, its marine products division, in 1987.

IM has obtained the finance for the bid from Bedexplex, part of Ferruzzi, the Italian diversified group which owns 47.7 per cent of its shares. It wants to merge with Lewmar and sell off the other engineering businesses within Priest.

IM urges shareholders to accept its "generous" 112p per share terms, a 24.4 per cent premium over the price of the shares on October 31, the day before it announced its bid.

It says the present economic environment provides little prospect of an early recovery in Priest's profits or share price. Yesterday Priest's shares closed unchanged at 115p.

The document also gives Priest's shareholders a clearer picture of privately-owned IM. After a big increase in debt in 1989, its net income fell from $858,000 to $504,000 on sales of $43.62m ($38.97m).

The balance of IM's shares are owned by institutions, Mr John Grunow, chairman, and his family and Comte C. de Rougement, who sold his French mast-building business to the company.

Mr Christopher Walliker, Priest's chairman, yesterday said: "The exit p/e of 8.4 historic that IM is offering is poor by any yardstick." He urged shareholders to take no action.

Millwall's losses up to £848,000 in 10 months

By Maggie Urry

MILLWALL Holdings, which owns Millwall football club and a chain of 44 pubs acquired in March, suffered a pre-tax loss in the 10 months to end May of £848,000 compared to a £717,000 loss in the previous year.

The group obtained a USM quotation in October last year through a placing and offer for sale at 20p. The shares were unchanged at 5p yesterday.

The football club – known to its supporters as "the Lions" – was relegated to the second division last year and sacked its manager and assistant manager. They received compensation of £115,000 which was included in the operating loss of £333,000 (profit £364,000). Net interest payable fell from £152,000 to £54,000, thanks to the flotation proceeds.

Also contributing to the pre-tax loss was a deficit on transfers of players of £461,000 (deficit £717,000).

The pubs lost £101,000 in the period between acquisition and the year end. Mr Reginald Burr, chairman, said that many of the pubs had been refurbished after acquisition. Now this work was completed he expected the pubs to be profitable in the current year.

Mr Burr said that Millwall's relegation had not had a severe effect on attendances at matches.

The group is looking at further acquisitions in the leisure industry and is hoping for planning permission to be awarded next month on a new ground which might be completed by 1993.

The group's assets per share were 6.2p at the year end (liabilities per share of 2.5p at July 31 1989), but this does not include the value of the team's players estimated at over £10m. The loss per share was 1.27p (loss 1.87p).

● Cabra Estates, the property company which owns the freeholds of the grounds where Fulham and Chelsea football clubs play, said yesterday it had received an approach which might lead to an offer for Stamford Bridge, the Chelsea ground. In its latest balance sheet, at March 31 this year, the value of Stamford Bridge was cut by £10.4m to £30m. Speculation is that Mr Ken Bates, chairman of Chelsea Football Club, has found financial backing for a bid. Cabra is thought to be unlikely to accept less than book value for the ground. Cabra shares rose 1p to 17p.

Ray Fine resigns from Lopex and abandons earn-out deal

By Andrew Hill

MR RAY FINE, who failed in an attempt to take over as chief executive of Lopex in September, has resigned from all positions at the advertising and marketing services group and given up any claim to deferred payments which could have been worth as much as £24m.

Two months ago, RCF Marketing Group, the subsidiary of which Mr Fine was chairman and chief executive, surprised the Lopex board by releasing its interim figures before those of the parent company.

Lopex said yesterday that an investigation had shown that RCF's declared profits of £3.02m – nearly treble profits in the equivalent period – were overstated by £600,000. The RCF turnover figure of £13.7m was also overstated and "not in accordance with its [RCF's] accounting records".

Lopex has restated its interim figures. The £600,000 shortfall was taken straight off the group's revenue line, but RCF still made by far the largest contribution to the group's profits, which increased slightly from £3.39m to £3.41m before tax, instead of £4m before tax in the original statement. Earnings per share fell 20 per cent rather than 4 per cent to 7.87p (9.9p).

Lopex shares were unchanged at 65p yesterday, but that compares with a peak of 250p in May 1989.

Having obliged Lopex to release its interim results early, Mr Fine, 28, wanted the board to make him chief executive, although Lopex eventually appointed Mr Peter Thomas, who was chief executive of another subsidiary.

Mr Fine was unavailable to comment on the reasons for his departure yesterday and Lord Marsh, Lopex chairman, refused to explain why Mr Fine had abandoned his lucrative earn-out agreement "to pursue personal interests".

RCF, a direct marketing company, was sold to Lopex in August 1988 for £4.5m in shares. Under the terms of the deal, Mr Fine and senior members of the executive team would receive a further £4.5m if RCF met certain profit targets in 1990, 1991 and 1992. Even after the restatement, RCF's profits of £2.42m for the first half of this year exceeded the target for the whole of 1992.

Mr Fine also stood to receive a multiple of earnings in each of those years, payable in shares or in the form of a loan note, convertible into shares or cash. At the rate at which RCF had been growing, Mr Fine could have gained a substantial stake in the company by 1992.

Marginal downturn at Diploma

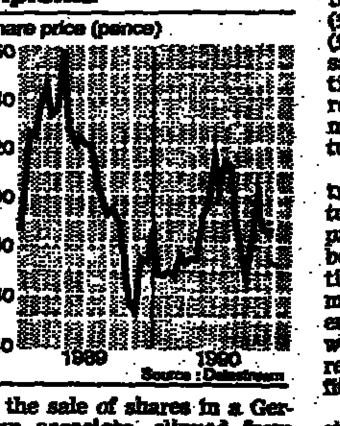
By David Owen

DIPLOMA, the electronic components, building materials and special steels group, yesterday reported a marginal downturn in annual profits reflecting difficult conditions in some of its most important markets.

Solid performances from electronics and special steels helped to offset the anticipated decline in the building components division. The company said that with "practically the whole of industry experiencing a downturn, we find it increasingly difficult to be exceptions."

All told, pre-tax profits for the year to September 30 totalled £19m, against £19.5m in 1989. Turnover was ahead 8 per cent at £149m (£137.8m).

Earnings per share, excluding a £2.3m extraordinary credit almost entirely relating to the sale of shares in a German associate, slipped from 22.3p to 21.4p. The proposed final dividend was 6.25p (same) for an unchanged 8.5p total.



Electronics was much the largest division in turnover terms, generating £84.5m (£74.4m) of sales and £7.7m (£6.8m) of profit. The group said that component distribution results continued to reflect "extremely difficult" market conditions for manufacturers and distributors alike.

Building components contributed £47.9m (£49.9m) of turnover and £7.4m (£8.5m) of profit. The group professed to be "delighted" at the "relatively outstanding performances" of its subsidiaries engaged in this sector during what it termed "the worst recession in housebuilding for fifty years."

Special steels produced a steady £3.6m (£3.2m) of profit on turnover of £16.6m (£13.5m). The company said, however, that order levels had slipped during the past three months.

Alan Paul profit trebles to £1.5m

Helped by five months' contribution from Essanelle, first half turnover and profits at Alan Paul were trebled.

The group runs the Alan Paul Hairdressing salon network, the Body & Face Place outlets, the Essanelle hair and beauty chain which operates mainly in department stores in the UK and Germany, and the Blue Berry's Brasseries.

In the six months ended September 30 this USM-quoted group made turnover of £21.79m (£3.06m) and pre-tax profit of £1.52m (£510,000). The shares in issue were doubled and that restricted earnings growth to 5.6p (4.5p); the interim dividend is 1p (0.9p).

Mr Alan Moss, chairman, said 40 new Alan Paul hairdressing salons were opened bringing the total to 136. At Essanelle retail overheads have been rationalised and the Wimbledon head office closed; the first hairdressing salon was opened in east Germany.

Body & Face Place opened a further eight sites and runs 77.

Mount Charlotte to be taken off list

The Stock Exchange listing of Mount Charlotte Investments, Britain's second biggest hotels group, will be cancelled on December 3.

This follows the announcement by Brierley Investments (BIL), the New Zealand company founded by the entrepreneur Sir Ron Brierley, that its cash offer of 73p a share, which valued the hotels group at £644m, had been accepted by 92 per cent of shareholders.

NEWS DIGEST

Harland Simon Grp climbs 46%

HARLAND SIMON Group, the specialist computer controls concern, raised pre-tax profits by 46 per cent from £1.72m to £2.51m for the six months to September 30 1990, on turnover 31 per cent higher at £29.35m.

After tax of £927,000 (£654,000) earnings per share increased from 7.6p to 10.1p. The interim dividend has been lifted by 33 per cent to 2p (1.5p).

As in previous years, the results will have a heavy second half bias, and Mr David Mahony, the chairman, said that he saw no reason to anticipate that the group would not achieve a satisfactory result for the year.

Following the £13.9m rights issue in June, the group had strong cash balances and was currently evaluating a number of small infill acquisitions.

The group has restructured its board in line with its increased scale of operations. Mr Roy Ashman, chief executive, will take over as chairman from Mr Mahony, who becomes deputy chairman.

Glasgow Income nav 28% lower

Glasgow Income Trust reports net asset value down 28 per cent from 51.97p to 37.64p per 25p share at September 30. Earnings per share for the year was 3.46p, against a previous 3.72p.

Gross revenue was £1.47m (£1.65m), with franked investment income comprising £1.08m (£1.2m) and UK franked income £81,000 (£84,000). Administrative expenses came to £196,000 (£181,000).

A final dividend of 1.35p is recommended, making a total of 3.15p (3.45p) for the year.

Decline to I£85,000 at R&J Emmet

Taxable profits fell from I£184,000 to I£85,000 (£78,000) at R&J Emmet, the Irish cream liqueur maker, in the first half of 1990. The company ascribed the decline to increased marketing costs and overheads.

Turnover, however, rose 57 per cent to I£4.71m, thanks mainly to the inclusion of Irish Snack foods for the full half. In the liqueur division volume was up 22 per cent, while revenue grew by only 16 per cent due to dollar depreciation.

A marginal increase in volumes and revenue in the snack foods division is being met with cost reductions and boosted marketing resources.

Earnings dropped to 0.6p (1.17p) per share but the interim dividend is maintained at 1.25p.

Personal Assets to raise dividend 50%

Personal Assets Trust intends to raise its dividend from 1p to 1.5p for the year to April 30 1991.

Although that exceeds slightly the earnings forecast, the directors said they will view the payment as a base for growth in the future.

For the half year ended October 31 total income was £239,000 (£231,000) and earnings per share came to 0.78p (0.74p).

Net asset value dropped to 46.4p, from 56.7p.

£0.5m for Greyfriars Inv in first year

Greyfriars Investment Company, which provides development capital, made a pre-tax profit of £548,000 in the year ended September 30 1990, its first full year on the market.

Earnings per share came to 4.68p and the final dividend is 4p for a total of 6p. At September 30 net asset value stood at 57.13p.

In the year, income from fixed asset investments was £831,000, interest receivable £78,000, and other income £45,000.

Wilshaw well down at halfway mark

Losses in specialist metals and a surge in interest rates resulted in pre-tax profit at Wilshaw, the industrial holding company, falling from £909,000 to £574,000 for the half-year ended September 30 1990.

The process problems at SG Magnets had in the main been resolved, but the declining dollar took its toll.

Group sales rose to £13.63m (£9.2m). Operating profit was £1.14m (£1.03m) but interest charges hit £565,000 (£123,000).

From earnings of 0.49p (0.78p) the interim dividend is again 0.1p.

EMAP midway rise held to 2%

By Richard Gourlay

EMAP, the magazine, newspaper and exhibitions group, yesterday announced pre-tax profits virtually unchanged for the six months to September after a poor performance from business publications but a strong result from specialist consumer magazines.

Pre-tax profits rose less than 2 per cent to £13.6m on sales up 8 per cent at £132m after a sharp increase in interest charge to £868,000, compared with £145,000, reflecting an increase in expenditure on the acquisition of new titles.

The company increased its interim dividend by 10 per cent to 1.9p and the shares closed up 5p at 208p.

Specialist consumer magazines, the largest division which provides more than half the trading profits and about 35 per cent of revenue, did particularly well.

Mr Robin Miller, EMAP chief executive, said sales which provide 60 per cent of revenue had remained strong and margins had increased on old titles while some new launches had started to move into profit.

Advertising revenue had also remained firm although there was a discernible softening in the second half.

An improvement in magazine margins was helped by the inclusion of BBC Magazines in the group's distribution joint venture with Haymarket Publishing.


EMAP chief executive Robin Miller, whose publications group spent £12m on acquiring new titles in the half year

BBC Frontline, as the joint venture is now called, distributes more than 100 magazines, representing 20 per cent of the UK magazine market.

During the six months EMAP spent £12m on the acquisition of new titles, including Le Chasseur Francais with its French partner, Bayard Presse, and a number of parental and slimming titles bought from Argus Press.

The acquisitions pushed gearing at the half year to about 9 per cent, the same level as last year, but the group expects net debt to have fallen to zero by the year-end.

In the group's business magazine division advertising, which accounts for 85 per cent of revenue, did not keep pace with inflation and profits fell, Mr Miller said.

The group has closed or suspended a number of publications in this area. It also made an extraordinary provision of £688,000, mainly covering the cost of lost business for its Middle East Economic Digest (MEED) title as a result of the Gulf crisis. EMAP made the provision an extraordinary rather than an exceptional item on auditors' advice.

EMAP's 85 newspapers reported slightly higher profits but Mr Miller said there was a slowing in revenues from high yielding "situations vacant" advertising.

Mr Miller said exhibitions, the smallest division, was showing resilience, and it was going ahead with a new International Autumn Fair at Birmingham's NEC.

● COMMENT

Among the first businesses to feel the effect of the Iraqi invasion of Kuwait must have been EMAP's title, the Middle East Economic Digest, where advertising disappeared overnight on August 2. Fall-out from the merger of Sky TV and BSB has been equally swift, leaving broadcasting publications looking at a tough and uncertain six months. Otherwise, despite the recession, EMAP seems to be progressing remarkably, as though business is as usual. Resilient sales and advertising for specialist consumer magazines and promising growth in the exhibitions devision look likely to supply the group with a considerable war-chest to continue acquiring and developing new titles. That said, profits for the year are unlikely to be much changed at £38m, giving earnings per share of 17.5p, and a prospective earnings multiple of 11.9, which looks relatively expensive.

CE Heath restructures insurance operations

By Eric Short

CE Heath is splitting its insurance broking operations into two separate divisions, retail and wholesale.

This major reorganisation follows the acquisition of Abaco Investments.

Abaco was essentially a UK retail broking operation. So the company has planned to integrate Heath's existing retail insurance broking interests with Abaco and operate two separate divisions.

Each division will have its own management structure. Both will continue to trade through CE Heath (Insurance Broking).

Michael Kier will be chairman of the retail division, which will trade under the CE Heath name. He remains as chairman of CE Heath (Insurance Broking).

John Mackenzie Green is appointed group managing director and will be chairman of the wholesale division, trading under the name of Heath Fielding. He also becomes deputy chairman of CE Heath (Insurance Broking).

Peter Presland becomes group chief executive, with Richard Fielding remaining as group chairman.

Logitek warns of profits drop as Microtex and CSM falter

By David Owen

PROFITS AT Logitek, the computer services and distribution company, will fall below the levels of a year ago both for the six months to September 30 and the full year, the group warned yesterday.

Interim profits "are likely to reach" just £500,000 (£1.3m), while figures for the full year "will fall short of the £3.8m reported for the previous year", the company said.

It blamed problems experienced at two businesses – Microtex and CSM Systems – for the deterioration, together with "substantially higher" interest charges. These problems have now been ironed out and most businesses are performing in line with expectations, the company said. "Gross margins. . . are showing an improvement over the previous year."

Logitek shares were suspended at 56p this month following a sudden price drop blamed on a profit decline from one of its stockbrokers.

The shares resumed trading yesterday after the company's statement and closed at 40p, having sunk as low as 24p in early trading. At the closing price, the group is valued at £7.16m.

Actions taken at Microtex, a distributor mainly of multi-user computer equipment, have included "about 15" redundancies, according to Mr Ian Johnson, finance director. The business, which has experienced severe margin pressure, is now trading profitably, the company said.

A further 38 staff have recently been made redundant at CSM Systems. Following the August disposal of the business's corporate sales division, CSMS is now focusing on the accountancy profession as a target market. The business should achieve "an acceptable margin" in the second half, the company added.

Various options are being explored with a view to reducing debt and strengthening the balance sheet. At the last year-end on March 31, gearing was 86 per cent.

Eleven-year-old Logitek began as a distributor of Unix-based Altos computer systems. In 1989, it embarked on a series of takeovers, including the £10.1m purchase of the Advansys group of companies, with the aim of establishing a 50-50 balance in sales between distribution and computing services.

Merchant Retail falls to £1.4m as interest bites

THE food and department store divisions of Merchant Retail Group, formerly Normans, have demonstrated the "ability to trade successfully in a difficult retail climate".

But other factors have offset that and, for the six months ended September 29, the group saw its pre-tax profit fall from £1.98m to £1.37m.

The most telling factor was an increase from £950,000 to £1.48m in interest charges, while overseas tea plantations contribution dropped to £14,000 (£150,000), property and investment income fell to £30,000 (£412,000) and discontinued businesses contributed only £4,000 (£261,000).

Mr David Wallis, chief executive, said Normans improved its net margins to 4.15 per cent. That led to trading profits of £2.35m (£1.76m) on sales of £56.58m (£55.58m).

Joplings lifted sales to £17.12m (£13.64m) and profit to £803,000 (£690,000).

Earnings in the half year dropped to 1.2p (2.07p) and the interim dividend is again 1.1p

IMI attacks Birmingham Mint's diversification

By Andrew Hill

IMI, the Midlands engineering group, yesterday warned of the possibility of dwindling returns from the coin-minting operations of Birmingham Mint if that engineering and electronics group did not accept its £12m bid.

A takeover, IMI said, would maximise economies of scale and avoid unnecessary duplication of expenditure.

In its offer document, IMI said that although Birmingham Mint had invested in new nickel-plating plant to cope with the trend towards plated coinage, additional financing costs and under-utilisation of old plant would undermine any benefit from the investment.

Birmingham Mint was likely to base its defence on interim figures, due out at the beginning of December, which it expected would show the benefits of disposal and investment programmes. The group added that the document would also illustrate the weakness of IMI's position in the minting market.

The two companies and the Royal Mint were part of a consortium which made coins for overseas customers outside the EC, worth about £8m in annual turnover to each company.

Mr Tony Cross, chairman of Birmingham Mint, said yesterday: "We have another £8m of minting turnover which we generate through our own sales force. It [IMI's minting operation] is totally dependent on the the vagaries of the consortium."

Apart from attacking Birmingham Mint for its diversification programme, IMI also questioned that company's long-term ability to maintain dividend payments.

"With our assessment of Birmingham Mint's earnings and dividend prospects, we cannot see that Birmingham Mint will be able to re-establish historical levels of shareholders' value in the foreseeable future," said IMI.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alan Paul § ....int	1	Jan 18	0.9	-	3
Diploma ....fin	6.25	Jan 7	6.25	8.5	8.5
EMAP ....int	1.9	Jan 18	1.72	-	6.5
Emmet (R&J) § ....int	1.25♣	-	1.25	-	4
Glasgow Inv Trst..........fin	1.35	Feb 28	1.15	3.15	3.45
Goldsmiths Gp ....int	1.5	Mar 4	-	-	1.4
Harland Simon ....int	2	Feb 11	1.5	-	6
Merchant Retail ....int	1.1	Mar 1	1.1	-	2.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency throughout.

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UK COMPANY NEWS

Bank of Scotland taps in on German credit cards

By James Buxton, Scottish Correspondent

BANK OF Scotland is entering the German credit card market through a joint venture with Quelle Bank, the banking offshoot of Quelle, which claims to be one of the biggest mail order companies in the world.

Bank of Scotland said its potential revenue from the deal would run into millions of pounds. The capital investment was in the region of £500,000.

It would immediately begin processing a Visa card which the German bank was now issuing. This would take place at its card services centre in Dunfermline, Fife, while customer services would be handled directly from Nuremberg.

The two banks would then set up a joint venture company in Nuremberg early next year to process credit cards for third parties, initially in Germany but later with the ability to process them elsewhere in Europe. It remained to be decided whether the third party processing would be carried out in Scotland or Germany after initially operating in Dunfermline.

Germany is a remarkably underdeveloped credit card market with fewer than 4m cards believed to be in circulation, compared with the 27m in Britain. However, both Bank of Scotland and Quelle Bank believed the market was on the brink of rapid growth.

"We want to get a share of a market that so far hardly exists," said Mr Chris Brobbel, assistant general manager at Bank of Scotland. Quelle Bank was expected to issue about 1m cards in the first five years.

Quelle Bank was recently set up to offer direct banking services to customers on Quelle's mail order database, which had more than 30m mail order customers in Germany, France and Austria.

The Quelle organisation also had over 5,000 stores in West Germany. It belonged to the privately-owned Schickedanz Enterprise Group, which also controlled the Noris Verbraucher Bank, based in Nuremberg with assets of DM4bn.

In September Barclays entered the German credit card market through a joint venture with Hertie, the large German stores group.

Bank of Scotland recently took a five per cent stake in SIMo an Italian card processing company majority-owned by Olivetti.

The card centre at Dunfermline, which was established in 1986, processed Visa cards for the Halifax and the National and Provincial building societies, Chase Manhattan Bank and the Automobile Association, as well as for Bank of Scotland group. Mr Brobbel said he believed the bank had more than its fair share of the UK card processing market.

Interest and higher rents knock Goldsmiths back to £44,000

By John Thornhill

GOLDSMITHS GROUP, the jewellery retailer, yesterday revealed a substantial fall in interim pre-tax profits as higher rents and interest payments took their toll.

Taxable profits fell from £880,000 to £44,000 even though turnover was strongly ahead at £18.11m (£16.01m) in the half-year to September 1. On a like-for-like basis sales were 9.3 per cent higher.

The company's shares slid 5p to 51p on the news, compared with Goldsmiths issue price of 150p when it joined the market this February.

Although the company met its expected pre-tax profits figure of £4.06m for the year to March 3, its shares were hit by concerns over its seemingly weak stock control systems which allowed a build-up of excess goods over the Christmas period.

Mr Jurek Piasecki, chairman and chief executive, said yesterday that it was difficult to predict the outcome for the full year although the second half had started slowly with like-for-like sales running about the same level as last year.

Operating profits for the period were £1.33m (£1.89m) but these were depressed by higher rents resulting from 30 rent reviews at Goldsmiths' 106 branches. Interest payments rose to £856,000 (£716,000).

Earnings per share were 0.13p (61.64p). Goldsmiths declared an interim dividend of 1.5p but said this should not be viewed as an indicator of the full-year payment.

Earthed, insulated but with leakage

Clare Pearson on London Electricity, often different from its peers

MOST PEOPLE get their electricity via overhead lines, but it comes to customers of London Electricity through the earth.

This almost exclusively underground distribution network is just one of the features that mark London, the only purely urban regional electricity company, out from its peers.

Its sales area, which covers central London and large parts of the suburbs to the south and east, although bounded by Hammersmith and Highgate to the west and north, is the smallest of all the companies. But its population density makes it the seventh largest in terms of electricity sold.


John Wilson: presiding over a campaign to improve retailing

Customer breakdown of sales	London(%)	Industry(%)
Domestic	31.6	34.4
Commercial	55.8	25.9
Industrial	10.6	36.7
Other (inc London Underground)	1.9	2.5

Source: UBS Phillips & Drew

Like all the companies, its fortunes are rooted in those of the local economy; and London accounts for some 17 per cent of all sales to commercial customers in England and Wales, giving it significantly the biggest presence in this sector.

Consequently, the proliferation of restaurants, shops and, most of all, financial services companies that were hallmarks of the capital's economy during the 1980s powered strong growth at London Electricity.

Not only did it gain new customers, but also securities dealing rooms and shops were trading for longer hours and using more electronic equipment and air conditioning.

The commercial boom also created boosted demand from building workers who became prolific electricity customers as they worked on projects such as Canary Wharf in the Docklands.

More recently, however, the company has been affected by the well-documented downturns in the City and retailing while much new office space lies empty.

So far, that has not hit the company as hard as an industry outsider might think. That is partly because, when a big new office development is built, the company is able to pass on much of the cost of installing new equipment upfront to the customer rather than having to recoup it as the building is let.

London's section of the flotation prospectus showed its distribution business continued to grow this year: it distributed an estimated 7,055 GWh during the five months to the end of August, an increase on last year's 6,890 GWh.

"Provided the recession is not too long and too deep, London should still achieve comparatively strong growth over the next few years," concludes one analyst.

The department of energy certainly appears to have taken this view when it devised the price regulations for the companies' distribution businesses: London was the only one to be given an X factor (part of a formula covering price rises) limited to the inflation rate.

This also reflects the fact that London's customer base should protect it from loss of sales as competition opens up in the liberalised electricity market.

As analysts at Smith New Court put it: "With a very low proportion of industrial customers, who may opt for on-site generation schemes, and a high proportion of commercial customers, only a few of whom may opt for small-scale on-site generation schemes, London Electricity's distribution business looks well-protected."

Additionally, the X factor is related to capital expenditure, and London's programme in the 1990s lags behind that of its peers. This is because underground wires, which are not battered by the weather, last longer, and, having been laid during the 1960s, London's current system is also younger than most.

The price regime also assumed London has scope for cost-cutting: the company has achieved big reductions in manpower levels over the last few years but by many other measures its operating costs have been higher than its peers.

There are plenty of good reasons for this. Until this year, it had a proportionately higher rates bill. Electricity theft is higher than elsewhere and there are more bad debts – a reflection of the capital's shifting population.

London also encounters special difficulties in developing and renovating its distribution system: there are restrictions on working practices in central London while planning enquiries have led to long delays in building substations such as that at Leicester Square.

However, as one analyst impishly puts it: "The government has evidently taken the view that these problems have not been quite so overwhelming as previous managements may have wanted people to believe."

Outside the dominant distribution business, one area where there is definitely scope for improvement is retailing.

Facing fierce competition on the high street, London's electricity shops have been the worst performing in profit terms of all the companies in recent years. Last year it made a historic cost loss of £1.8m and, according to the prospectus, is still in deficit.

However, London has mounted a campaign to improve its performance – involving revamping the outlets and segmenting them to target different types of customers. To spearhead the drive, Mr Andrew Curry of the electrical retailing family was appointed as trading director last year.

This was part of a restructuring of the board by Mr John Wilson, chairman, which was aimed, he says, "at balancing the industry approach". Mr Alan Towers, finance director, came from Guinness Peat in 1988.

Being based close to Whitehall and the City, London's management is well-placed to develop a high profile. However, City analysts say it has yet to impress them as dynamic.

They believe Mr Wilson's most notable addition has been Mr Roger Urwin, London's managing director who was previously director of engineering at Midlands Electricity. He has been with the company only since February.

PRIVATISATION

Publication dates of previous profiles

Eastern	Oct 9
Seeboard	Oct 16
South Wales	Oct 23
Norweb	Oct 30
Southern	Nov 6
Manweb	Nov 13
Northern	Nov 16

The remaining four profiles of the regional electricity companies will appear on Tuesdays and Fridays

COMPANY NEWS IN BRIEF

AIRSHIP INDUSTRIES has sold its 50 per cent holding in Westinghouse-Airship Industries Inc to Westinghouse Avionics Systems and has terminated its joint venture with Westinghouse Electric Corporation.

AMBROSE Investment Trust net taxable revenue rose from £804,000 to £912,000 in six months to September 30, with earnings at 9.07p (8.36p). Interim dividend 5.82p (5.28p). Net asset value per income share 30.93p (27.68p) and per capital share 553.4p (648.16p).

BICC has bought out Johnson & Firth Brown's equity and loan stock interests in three JFB associated companies – Thomas Bolton & Johnson, Prescot Rod Rollers, and Prescot Aluminium Company – and now owns 100 per cent of the equity of the companies. The total cash consideration was £7.14m. In addition JFB will retain £2m of TB&J 10 per cent loan stock redeemable at par by TB&J in four equal annual instalments.

CALOR GROUP has sold its transport company, Liquid Powders and Gas Transport, to Transport Development Group for a cash consideration. Net value of the operating assets sold is some £7m. While the sale will show a small loss against book value in the current year, it will have a favourable effect on future earnings.

CHARTERHOUSE VENTURE Funds has led a consortium which has paid £4m cash to acquire Lanstar, a Manchester-based specialist waste treatment and oil recovery company operating in Birmingham, Rotherham and Inverness.

ENTERPRISE OIL, the UK independent oil company, has struck oil off the coast of Vietnam. The company said yesterday a well off the southern Vietnamese coast had produced oil at a rate of 300 barrels a day. The well was suspended while consideration was being given to stimulating the production rate. Enterprise plans to drill two more wells in the areas.

HARTLEPOOL WATER: Profit before tax for the six months to September 30 was £460,000 on turnover of £2.32m (£2.13m). Tax took £160,000 (£2,000) leaving earnings of 40p. An interim dividend of 20p has been declared and the board said that it is hoped that the final dividend would be not less than the interim now declared.

KING & SHAXSON: Directors said group had made satisfactory profits for half year to October 31. Profits of the discount house were slightly lower than for the corresponding period last year, while those of the money broker increased. Ordinary interim dividend 2.5p (same).

ST JAMES PLACE: As part of the reconstruction of J Rothschild Holdings, St James Place Holdings, the successor company, has made a formal offer to acquire JRH ordinary shares arising from the exercise of options. The consideration is one SJP share and the cash value of a Bishopsgate Growth Unit Trust unit on the first dealing day of those units for each JRH share held.

SMITH ST. AUBYN (Holdings): Interim statement reported that the group traded profitably in the half year to October 31, but at a slightly lower level than the corresponding period of previous year. The directors are not paying an interim on the ordinary, which are owned by King & Shaxson.

STRATTON Investment Trust: Net earnings for six months to September 30, 1990 were £181,000 (£117,000), or 1.43p (0.98p) per share. Total income £405,000 (£415,000). Tax £67,000 (£56,000). Net asset value 146p (172p six months earlier).

BOARD MEETINGS

TODAY

Interims- Babcock Intl., CML Microsystems, Courtaulds, Erskine House, Fleming High Income Trust, Grampian Television, Hazelwood Foods, JF Fledgeling Japan, Martin Currie European Trust, Ritz Design, Tie Rack, Young & Co's Brewery.

Finals- Greenwich Resources, Ranks Hovis McDougall, Scantronic, Whitbread.

FUTURE DATES

Interims-

Aberdeen Steak Houses	Nov. 23
Broad Street	Dec. 14
Century Oils	Nov. 23
Channel Express	Dec. 6
Ferranti Intl.	Dec. 11
NSM	Nov. 26
Norcros	Dec. 4
Osborne & Little	Nov. 29
Optometrics Corp.	Nov. 26
Penny & Giles Intl.	Nov. 28
Reed Executive	Dec. 4
Shanks & McEwan	Nov. 28
Stirling	Nov. 23
Stockdale	Nov. 29
Vistec	Nov. 30

Finals-

Ashley Group	Nov. 22
Channering	Dec. 12
Rosebaugh	Nov. 27
Sage	Dec. 6

CONTRACTS & TENDERS

TECHNOLOGY

Japan gets the EDI message

JAPAN is now represented in the UN/Edifact standardisation process for electronic data interchange (EDI) — in which one company's computer swaps paperwork directly with the computer of another company. The move should see the bridging of a void in the global supply chain.

At a recent UN Trade Facilitation Working Party meeting Kenji Itoh was confirmed as Edifact rapporteur for Singapore and Japan. Rapporteurs, who co-ordinate the development of the Edifact structured data standards, already exist in Europe, North America, Australia and New Zealand.

Edifact now embraces 58 specific business trading messages, at various stages of accreditation. According to Ray Walker, western European rapporteur and chief executive of the DTI-sponsored Simpler Trade Procedures Board, the standard is "globalised and strengthened with Japan in the frame".

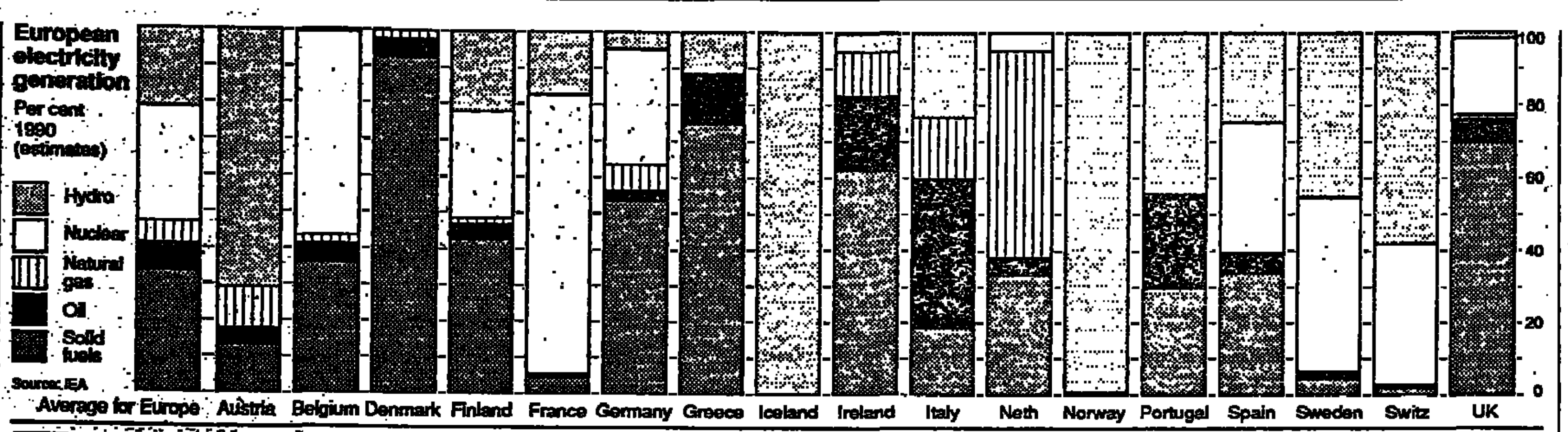
While the early development of Edifact was driven from Europe, the meeting of minds with North American data standardisation interests in 1986 widened the forum, and Japan's support became paramount if international confidence was to be maintained.

The Electronics Industry Association of Japan has developed its own industry-wide standard — believed to be the first such development in Japan. Electronics companies already seeking development into EDI include Matsushita, Mitsubishi, NEC, Sony, Toshiba, Hitachi, Akai, Sharp, Sanyo and TDK.

Early indicators are encouraging; there is already an Edifact committee with 70 members. But in comparison to the UK's EDI user base of more than 3,000, Japanese companies committed to EDI number less than 300, although as many as 10,000 are probably trading electronically with simple text transfer.

Activity is also expected to emanate from one of Edifact's early converts, eastern Europe. An EDI association has recently been formed in the Soviet Union with the aim of turning theoretical interest into practical experience.

Kevin Willmott



Power that blows in the wind

Peter Knight charts the worldwide struggle to make renewable energy sources viable

Renewable energy might be free but it is not cheap. Yet this is just one of the many problems facing energy planners who, for political and environmental reasons, need to find alternatives to fossil and nuclear fuels.

Renewable sources of energy — from the wind, tides, waves, water, sun and plants — are under the spotlight because of pressures to cut pollution caused by burning fossil fuels, and to reduce dependence on politically unpopular nuclear power.

In September the Swiss voted for a 10-year moratorium on new nuclear power plants. The UK has delayed the decision on the possible expansion of its nuclear power sector to 1994. These decisions have been made in spite of Sweden's struggle to find suitable alternatives to its nuclear generators.

Leading industrial nations, most of which have committed themselves to cutting carbon dioxide emissions in an attempt to reduce the rate of global warming, are looking for cleaner alternatives to burning oil, gas and coal.

The search will not be simple. "Renewables cannot be easily expanded in the same way as, say, gas," notes Sergio Garribba, director of energy technology at the International Energy Agency (IEA) in Paris.

"There are places where you can't use some renewables because the resources are just too dispersed. Take Sweden and solar power. The capital costs will be far too high. The technology will not be competitive."

Many of the techniques needed to extract energy from renewable resources are not sufficiently advanced to deliver large amounts of electricity quickly, or as cheaply, as fossil fuels.

Wind-generated electricity, produced by big, high-tech windmills, is one example. "Wind energy could provide at least 20 per cent of the UK's electricity needs at a cost lower than nuclear power and without any carbon dioxide," says Peter Musgrove of the British Wind Energy Association.

But the high cost of building and installing the hundreds of mills needed to produce the power cannot be justified by current economic and political thinking. For instance, under complex rules laid down by the EC and UK governments, wind generators in the UK have to turn a profit after eight years.

Wind enthusiasts think this is unfair because nuclear power, another capital-intensive technology, is given at least 30 years to repay its capital costs. And, say nuclear critics, that formula does not include the unknown costs of managing nuclear waste.

Of all the technologies to harness renewable energy, wind power is the most advanced. Electricity is produced in much the same way as in a bicycle dynamo. The wind turns blades which are connected by a drive, via a gearbox, to a generator.

Computers, both on-board and in remote monitoring stations, control the windmills. The blades are produced by aero engineers and, in some cases, made from advanced synthetic materials. A typical mill, such as the 25-metre high twin-bladed MS-3 made by a joint venture between Taylor Woodrow and British Aerospace, can generate 33 KW of electricity in a 25 mile-per-hour wind. That can supply about 250 houses.

There are drawbacks, however. The mills have to be backed up with conventional power stations for calm days and they could never supply a large proportion of an industrialised economy's needs. It is estimated that 4,000 windmills would be needed in Sweden to generate half the current now produced by nuclear power.

Planners are hoping that traditional fuel, such as wood and straw, could help satisfy some immediate energy needs. The energy industry calls this bio-fuel or biomass. It can either be burnt to make steam and heat or turned into gas using modern techniques used to make gas from coal.

Trees absorb, or lock up, CO_2 during photosynthesis. If left to rot they release the CO_2 and other greenhouse gases, such as methane. When burnt, the wood releases the same quantity of CO_2 it absorbed, leaving no net gain of CO_2 in the atmosphere.

The Swedes are thinking of growing large "energy" forests especially to feed power stations. Many of its paper mills already burn wood waste to provide process steam and electricity, as is the case in Finland, Scotland and the US.

Spanish researchers are thinking of growing algae in large quantities in the sea. This could be harvested and burnt as fuel or used to make gas. And the Portuguese have set up a biomass research centre to investigate traditional fuels.

Other typical bio-fuels are:

- Alcohol (ethanol) from wine and sugar cane, which is used as a petrol supplement or alternative in the US (gasohol), Brazil and Kenya.
- Manure from intensive farming can be used to generate gas. The left-overs are a useful fertiliser.
- Straw from wheat fields. Denmark prohibits farmers from burning their straw in the fields. It is collected and burnt in small power plants that supply both heat and electricity to local communities.

Water, or hydro-power, is well established. Austria, for example, generates about 70 per cent of its electricity, and Norway 99 per cent, from water stored in dams and released to drive turbines.

"Hydro-power is very important. The stations operating now could be improved to give more power and to extend their life," says Garribba.

Tides, which can sometimes rise as much as 17 metres, provide one of the greatest potential sources of electricity generation. To tap the energy a barrage is built across an estuary. Generators in the wall are driven by water moving on the rising and falling tides.

The UK department of energy says 8 per cent of the UK's electricity needs could be met by barrages on the country's west coast, such as the Severn and Mersey estuaries. Some environmentalists are against barrages because they can damage the ecology of estuaries and destroy mud flats used by birds.

But others argue that these areas would be destroyed anyway by rising salt waters brought about when seas expand due to global warming.

The world's only significant electricity-generating barrage is at La Rance in France. It was built in the mid 1960s as a prototype but plans for others were dropped in favour of nuclear plants.

Wave energy also offers an untapped renewable resource. But the technology needed to harness the power is still in its infancy. The most promising is the Shoreline Rock and Gulley system developed at Queens University in Belfast. This involves building a concrete construction that resembles an upturned bowl at the shoreline, in a rock gully. It is connected by a large pipe to an air-driven turbine.

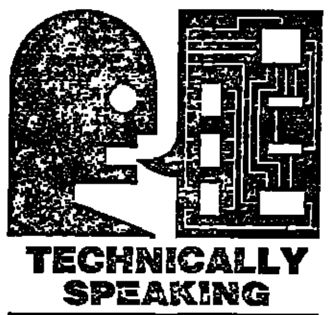
The waves compress the air in the bowl, causing pressure to build up. And it is this air pressure that drives the turbine. The Norwegians and Japanese are also working on similar systems.

Researchers still hope for big benefits from tapping the power of the sun. Unfortunately most of the research has been concentrated on producing electricity via photovoltaic cells. While useful on satellites, in sunny climates and on remote sunny islands, these cells are neither efficient nor cheap enough to produce competitively-priced electricity.

Renewables will play a bigger role in meeting our electricity needs in the future. But the size of the contribution is dependent on the cost of fossil fuels and the political will to use nuclear power. "By 2020 we may expect renewables to contribute about 10 per cent of the total electricity needs of the IEA countries," says Garribba.

The time is ripe for equal access

By Paul Abrahams



Central to the British government's review of the telecommunication's industry is the concept of equal access. This means that although a caller may be connected locally to a British Telecom line he can choose a different long-distance telephone operator just by dialling a short code. At present, customers of Mercury Communications, BT's rival, have to purchase a special telephone which allows them to access Mercury's lines through BT's local network.

Equal access is important because it will increase consumer choice and accelerate the speed at which competition develops. BT, which controls the access to most people's homes and businesses, must be forced to make its local network available to other carriers. Where equal access already exists — in Hull — about 50 per cent of trunk calls are made through Mercury.

However, competition in the trunk call arena will be unacceptably delayed if equal access is not introduced quickly. Equal access is most easily provided where modern digital exchanges have been installed. It can be offered through analogue systems, but the modifications required are more costly and complicated. BT has a rolling programme of installation of digital exchanges and claims that about 49 per cent of the country has access to them.

But under present plans the digital programme is not due for completion at the earliest until 1999 and may not be fully available before 2003.

While it is clearly unreasonable and impractical to force BT to complete the digital programme immediately, it is also unsatisfactory for consumers to wait for equal access until the end of the century.

Moreover, if equal access is only going to be made available on digital exchanges, it could have the disastrous effect of providing an incentive for BT to slow down its investment programme. Digital exchanges — besides offering better quality lines — have the advantage of offering services that are unavailable on analogue systems.

A practical and equitable compromise would be to set precise deadlines for a progressive introduction of equal access. For example, BT could be required to provide equal access to 25 per cent of customer base by 1991, 50 per cent by 1992, 75 per cent by 1993 and the whole county by the end of 1994. BT would be free to do this either by accelerating its digital programme or by installing appropriate equipment in its analogue exchanges.

BT complains that the cost of installing equal access could be as high as £300m. The company argues that the competitors which would benefit from equal access should foot the bill. It also complains that it is unfair that BT should pay such large sums to help its rivals compete.

BT's estimate of £300m should be taken with a pinch of salt, particularly since the government has argued that the cost of software changes would not be significant. Much of the investment in digital exchanges would have been made anyway, albeit at a later date. If BT's network is engineered in such a manner to stifle competition, then it is BT's obligation to remedy the deficiency.

Nevertheless, if BT can justify the £300m price tag — and Oftel should scrutinise its claims with a fine tooth-comb — then it may prove fairer for the other service providers benefiting from equal access to shoulder some of the costs.

This could be achieved by BT paying all the up-front capital costs. Any long distance operator using BT's local network would then pay the company a small charge per minute determined by Oftel which took into account any of BT's additional investment.

COMMODITIES AND AGRICULTURE

Battle looms over EC fish conservation plan

By Tim Dickson in Brussels

A FIERCE political battle over plans to conserve dwindling North Sea fish stocks is likely to erupt in Brussels today.

Several EC member states, led by Britain, will strongly oppose a package of proposals from the European Commission which most controversially includes increasing the minimum net mesh size for many white fish species from 90mm to 120mm.

Ministers will argue that the measures are unrealistically harsh and will add to the woes of those fishermen in the area who have already seen their catches slashed over the last couple of years.

Mr Manuel Marin, the EC fisheries commissioner, however, is in no mood to be generous and will point out that drastic action to curb overfishing is not only justified in its own right but in the clear long term interests of boat owners.

The seeds of today's conflict were sown just under a year ago during the tough negotiations over 1990 catch allowances (an exercise, incidentally, which can be expected to be just as bitter when the figures for 1991 are finalised next month).

As part of that deal a political undertaking was made to improve conservation in the North Sea, a commitment the Commission used to bring forward its detailed ideas at the end of July.

Besides the increased minimum mesh size, the package would require that vessels carry only one net, that the mesh shape should be changed at the "cod end" (where the fish are gathered), and that efforts should be made to prevent "ballooning" (which stops small fish escaping).

Tomorrow's meeting may well be presented with a compromise from the Italian presidency reducing the proposed minimum mesh size to 100mm and providing for possible exemptions from the one net rule – but while this could go a long way towards satisfying Britain and other self-interested countries like Denmark and Germany it will probably be too much for Mr Marin.

The Commission is adamant that the scientific evidence justifies a drastic approach. It was pointed out last night, for instance, that haddock stocks were estimated at just 12 per cent of their 1970 level.

Mr Marin is likely to tell ministers the EC plan is not harsh by international standards and that it will be "their responsibility" if they decide to give undue weight to social and political considerations.

Nickel development delayed

By Kenneth Gooding, Mining Correspondent

THE US$350M Mt Keith nickel project in Western Australia, which will add about 5 per cent to western world refined nickel production capacity, has been delayed, probably for about six months.

This marks the second important change announced in eight weeks to the proposals announced a year ago. The partners, Australian Consolidated Minerals and Outokumpu, the state-owned Finnish group, previously envisaged an integrated project but in September said it would be more prudent to divide the scheme into two parts.

The downstream processing element will be delayed for three of four years and in the meantime the partners will examine alternative activities in Australia, Finland and elsewhere, including ferro-nickel processing in Finland as originally proposed.

Yesterday the partners said construction would not start until early 1991 and, consequently, production would be delayed until 1993. Mt Keith is expected to have a 20-year life and to produce an annual 140,000 tonnes of concentrate containing 28,000 tonnes of nickel. Outokumpu will take 18,000 tonnes of nickel for processing and will arrange for the rest to be sold on world markets.

It is understood the latest delay was caused mainly by the difficulty of finalising non-recourse finance with the project bankers – Barclays Bank; Deutsche Bank Australia; and Union Bank of Switzerland – at a time of increasing international economic uncertainty.

ACM also announced yesterday that its 50 per cent share of the project will be partly funded by a one-for-five rights issued of shares at 80 cents each to raise about A$34m.

Free trade 'better for banana growers'

By David Blackwell

BANANA PRODUCING countries with favoured access to markets in the EC would be better served by a free world market and direct aid payments, according to a World Bank study.

The EC is already faced with having to adopt a uniform policy towards banana imports with the advent of the single European market in 1992. At present special import and pricing arrangements give large subsidies to some countries – mainly former colonies – to the disadvantage of other exporters, mainly in Latin America, which produce cheaper bananas.

For example, Jamaica, Dominica, St Lucia, St Vincent, Belize and Suriname export almost exclusively to the UK. Germany is the only EC country country with virtually free trade in bananas.

Adoption of free trade throughout the EC would lead to a 9 per cent increase in imports, according to the report. But exports from the favoured countries would fall by 46 per cent, equal to an annual loss of US$209m (in 1987 prices); while other exporters would increase sales by 12 per cent. Free trade would also result in an annual addition to the EC economy of $386m.

The report suggests that direct aid, raised by a tariff of 16.1 per cent on all banana imports, would be the most efficient way of compensating the former favoured exporters. "Such aid could be specifically targetted to improve the long-run efficiency of the banana industries or to diversify their economies," says the report.

Current policies cost EC countries about $1.85, non-favoured countries about 29 cents, and the world economy 92 cents for every $1 by which the favoured exporters benefit. "Such inefficiencies could be largely eliminated through the use of direct aid payments and a self-financing tariff," says the report.

A switch to free trade would cost EC consumers $1.01, non-favoured exporters 3 cents and the world economy 2 cents. "Such a policy would create only minimal distortions in the pattern of consumption, production and trade. The elimination of current inefficiencies would place the EC in a position to provide a higher level of aid to traditional suppliers at lower total cost."

EC Bananarama 1992 by Brent Borrell and Maw-Cheng Yang. World Bank working paper on International Trade WPS 523.

Cleaning up in the widening borax market

Kenneth Gooding visits the company accounting for 55 per cent of world production

MR IAN White-Thomson, whose Oxford-educated accent has not changed even though he has been living in the US for 21 years, was standing in the middle of the Mojave Desert, 120 miles from Los Angeles, wondering if the Americans could be persuaded to change their washing habits.

Mining company executives are usually more concerned about finding new deposits and the problems of extracting and processing ore rather than what happens in the end-markets for the metals or minerals that they labour to produce.

But Mr White-Thomson is president of US Borax, which is far from typical. It owns one of the world's two highest-grade boron mines, which between them account for about 85 per cent of the market for this important industrial mineral.

US Borax also processes the raw material it mines in the Mojave Desert, either on site or at facilities on the Californian coast at Wilmington, to produce a wide range of products, including penahydrate borax, decahydrate borax, anhydrous borax and boric acid.

The 20-mule Teams of Death Valley hauled borax over a desolate, 165-mile trail after mining started in California in 1881. US Borax still uses the 20-mule symbol today and claims it is one of the best-known in North America. Jose Ruez Grandee was commissioned in 1965 to produce this painting.

US Borax is part of the RTZ Corporation of the UK, the world's biggest mining group. RTZ Borax, which includes not only the US company but the group's silica and talc operations, claims about 55 per cent of the total market for borates, estimated to have been about 960,000 tonnes in 1989, and over the years has managed to prevent borax products becoming simply commodities.

It still has some control over prices, which for most borates have recently been about US$250 a short ton (2,000 lb), the highest ever.

"We are willing to operate below capacity to prevent price wars and to prevent erratic prices. We try to price fairly on a global – not just a national – basis," said Mr White-Thomson.

More positively, US Borax is also actively helping its customers develop products that use borates, which was why Mr White-Thomson was interested in the way Americans washed their clothes.

Boron, found as a white powder or contained in unusual, flaky crystals, provides essential but unobtrusive ingredients for more than 200 products. For example, it is indispensable in the metals industry, where it helps the melting process.

In Europe its best market is as a bleach in washing powders. This market so far is virtually untapped in North America where clothes are washed in water heated to much lower temperatures than in Europe, so sodium perborate does not work all that well.

Procter and Gamble, one of the major washing powder producers, recently developed perborate activators for low-temperature laundering and launched in America a European-style detergent. But the company has taken care to patent its product, which means that its rivals cannot quickly follow its lead.

So for the foreseeable future the biggest demand for borates in North America will continue to come from the glass fibre manufacturers. Glass fibre, or glass reinforced plastic, is one of the twentieth century's key materials because of its insulating properties. And the glass that reinforces the plastic cannot be made without borates. These form about 10 per cent of the raw material by weight.

World-wide, glass fibre is probably the fastest-growing end use for borates, particularly following the development of glass-fibre injection moulding of car parts.

The wide variety of other uses for boron is shown by the development work on which US Borax is now concentrating, including the markets for wood preservatives, pesticidal applications, amorphous metal alloys and fire retardant applications.

Mr White-Thomson picked one at random and pointed out that borates were harmless to mammals but lethal, even in small doses, to many insects. This makes them environment-friendly pesticides in the battle against termites and ants. They are also particularly effective against cockroaches.

Marketing effort is needed because the markets for borates, which are relatively mature and somewhat cyclical, are growing at only between 1 and 3 per cent a year.

US Borax is keen to expand the growth rate because it has plenty of spare capacity. Back in 1980, spurred on by earlier Club of Rome predictions that world demand for metals and minerals would soar, the company spent $80m on a unique boric acid plant at the mine site. This also had the effect of freeing capacity for increased production of sodium borate. The Club of Rome predictions proved to be very wide of the mark, however, and the US Borax facility, which the company claims produces the world's lowest cost boric acid, is working at only 60 per cent of capacity.

That is not to imply that US Borax is unprofitable. Far from it. The company prefers to keep its few competitors in the dark about its finances, but it admits to a turnover of more than $500m, more than half of which is from exports.

RTZ Borax, drawing mainly from the wealth provided by the Mojave Desert mine, contributes between a fifth and a quarter of RTZ's total annual net profits.

Last year net earnings were £99m ($198m), compared with the RTZ group total of £588m and in 1989 contributed £108m out of £425m.

US Borax can trace its roots back to the discovery of boron in California in 1881. The mineral, used for thousands of years in ceramics and in the working of gold, previously had come from Tibet and Italy. Its discovery in California's Death Valley resulted in a rapid increase in the use of boron in the US in various industrial processes and as a household cleanser.

Borax soaps at that time were credited, at least by their pedlars, with magical powers. In 1907 Persil, based on sodium perborate, was invented.

The mines in Death Valley's vast dry lake beds could not keep pace with demand until William T. Coleman, owner of the Old Harmony Borax Works, experimented and found that a team of 20 mules could move 36 tons with relative ease. He had huge wagons designed to carry the boron over 165 miles of hot, dry, rough a desolate trails to the nearest railhead at Mojave. The wagons were technological marvels of their time, costing $900 each (roughly equivalent to $1m in today's dollars).

In 1896 the 20 Mule Team symbol became the trademark of the Pacific Coast Borax company, predecessor to US Borax. It is still used today and US Borax claims it is one of the best-known corporate symbols in North America.

But in 1927 the mule teams became redundant as miners moved to the Mojave Desert where a doctor, looking for water for a clinic he intended to establish, had accidentally discovered the boron deposit that US Borax is still mining today. The open pit is now more than 650 feet deep (but still desert-dry), 6,200 feet long and 4,500 feet wide.

The Turkish mines, operated by the state-owned Etibank, have higher grades, bigger reserves and, Mr White-Thomson suspects, lower costs than the US Borax mine.

He suggests that Etibank, even though its marketing leaves a great deal to be desired, has about 35 per cent of the market, supplying mainly crude products for fibre glass.

So there has been constant competitive pressure for US Borax to increase productivity. Mr Larry Ballotti, vice president, Boron Operations, says that, while the workforce at the mine site (which is mainly employed in the processing operations) has fallen from 1,100 to 815 since 1982, output improved from 0.26 tons per man hour to 0.37 tons.

The company's mine has 27m tonnes of reserves, enough to keep the world supplied for another 20 years at the present rate of demand. Nevertheless, it continues to look for more boron deposits and some areas in Death Valley look promising, says Mr White-Thomson. However, the prospects of finding another deposit as rich as the one in the Mojave desert are very slim indeed.

But America's detergent producers have a better chance of persuading many Americans to change their way of laundering clothes, particularly as their present system relies heavily on chlorine, a less environment-friendly product than sodium perborate. If the market does grow, US Borax is ready.

Coconut oil producers' group views bleak outlook

ASIAN AND Pacific producers accounting for 90 per cent of world coconut oil production have begun a week-long meeting to devise ways of boosting the industry, reports Reuters from Penang.

Delegates to the 14-member Asian and Pacific Coconut Community's annual meeting said the outlook was blighted by stiff competition from other major edible oils and fats, a campaign against tropical oils in the US, declining returns to farmers, growing import curbs and the poor image of the industry.

In a paper presented at the meeting, the Jakarta-based APCC secretariat said prices for the main coconut products had fallen to such an extent that they posed a serious foreign exchange earnings problems for some producer countries. The price of coconut oil, which accounts for 3 per cent of the oils and fats market, averaged $337 a tonne for the first 10 months of 1990, down 35 per cent from the 1989 average.

"By 1990, coconut oil prices had dramatically dropped and, much worse, we lost our premium position," Mr Jose Eleazar, chairman of the United Coconut Association of the Philippines, told the meeting. Coconut oil, currently about $230 a tonne cheaper than soyaoil, fetches the lowest prices among vegetable oils.

"Priority should be given towards giving the industry a new image to transform it into a purely commercial crop producing commercially viable products," Malaysia's deputy primary industries minister, Mr Mahmood Mansor, said when opening the meeting.

The APCC said global coconut production was expected to increase to 9.01m tonnes in 1991 from an estimated 8.92m in 1990. But coconut oil output was expected to fall to 1.51m tonnes in 1991 from 1.55m.

WORLD COMMODITIES PRICES

MARKET REPORT

Lead prices plummetted on the LME yesterday morning as commission house selling and liquidation touched off sell stops. Three-month metal touched a 19-month low of £355 a tonne before closing at £357.50, a fall of £12.50. Lack of fresh news from the physical sector, where activity is slow for the time of year, coupled with a bearish chart pattern following last week's break below the lower end of a very narrow trading range, aided the downturn, traders said. Aluminium prices eased ahead of today's stock data, which may show a further small rise. However, many traders expect the heavy build-up of aluminium in warehouses seen during the past two months to halt and metal to start moving out of warehouses soon. Nickel prices extended earlier losses during the afternoon rings with bearish sentiment on fundamentals contributing to the downward trend. Cocoa prices rose sharply to the highest levels since early October in morning trading following Friday's sharp rise in New York. But the gains were mostly lost in the afternoon. With no news from origins, the market remained dominated by technical factors. New York cocoa prices were falling at midday.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$26.15-6.25v	+1.15
Brent Blend (dated)	$31.30-1.40	+1.05
Brent Blend (January)	$29.95-30.05	+1.075
W.T.I. (1 pm est)	$30.75-0.80v	+1.35
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$281-288	-10
Gas Oil	$295-297	
Heavy Fuel Oil	$130-132	-1
Naphtha	$285-287	-10½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$379.75	+3.25
Silver (per troy oz)♣	416c	+4
Platinum (per troy oz)	$418.5	-4.5
Palladium (per troy oz)	$93.0	-0.6
Aluminium (free market)	$1570	-85
Copper (US Producer)	124c	+1
Lead (US Producer)	50c	
Nickel (free market)	387c	-15
Tin (Kuala Lumpur market)	16.19r	
Tin (New York)	286c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	104.68p	-0.79*
Sheep (dead weight)†	143.23p	-8.23*
Pigs (live weight)†	74.38p	-5.61*
London daily sugar (raw)	$260.8w	
London daily sugar (white)	$310.5w	
Tate and Lyle export price	£240.5	-3.0
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£162	
Wheat (US Dark Northern)	£81u	
Rubber (Dec)♥	50.75p	-0.75
Rubber (Jan)♥	51.00p	-0.75
Rubber (KL RSS No 1 Dec)	244m	+1
Coconut oil (Philippines)§	$380q	
Palm Oil (Malaysian)§	$345	+5
Copra (Philippines)§	$245t	
Soyabeans (US)	£134	+1
Cotton "A" Index	82.60c	
Wooltops (64s Super)	388p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. u-Dec v-Jan. w-Dec/Jan z-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	226.20		225.00
Mar	218.00	223.40	223.40 217.60
May	218.40	223.60	222.40 219.80
Aug	221.00	225.00	224.20 220.20
Oct	219.60	225.00	223.00
Dec	220.00	225.00	
Mar	220.00	225.00	222.00 221.00
White	**Close**	**Previous**	**High/Low**
Mar	297.5	304.0	304.5 297.5
May	297.5	304.0	304.0 299.5
Aug	301.5	308.0	308.0 301.5
Oct	284.5	290.5	290.5 285.5
Dec	281.0	288.0	286.0 281.0
Mar	281.5		285.0 282.5
May	282.5		285.0 284.0

Turnover: Raw1407 (1460) lots of 50 tonnes. White 748 (1137)
Paris- White (FFr per tonne): Mar 1490, May 1495, Aug 1520, Oct 1437.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jan	29.60	29.00	30.25 27.95
Feb	28.70	27.85	29.12 27.15
Mar	27.70	26.90	28.05 26.28
Apr	25.40	25.70	25.40
May	24.75		24.75 24.72
IPE Index	29.31	31.85	

Turnover: 11645 (14566)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Dec	276.50	275.00	279.00 262.75
Jan	266.00	264.00	267.00 251.00
Feb	251.25	250.00	251.25 239.00
Mar	236.00	232.50	237.00 225.00
Apr	223.00	222.00	223.00 213.00
May	220.00	220.00	220.00 210.00
Jun	218.00	214.00	218.00 215.00

Turnover 17912 (21280) lots of 100 tonnes

TEA

There was good general demand, reports the Tea Brokers' Association. Medium and better liquoring assams met strong competition and advanced by 5 to 10p per kilo. Plainer kinds attracted selective support and were irregularly easier. Bright Africans sold readily at fully firm rates. Mediums opened to widespread competition but eased towards the close and prices for Central Africans also showed a decline. There was improved demand for Ceylons at firm to dearer rates. Offshore teas met limited enquiry at easier rates. Quotations: quality 220p nominal, medium 137p, low medium 82p.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	693	692	717 696
Mar	752	745	770 746
May	776	775	792 773
Jul	796	799	813 798
Sep	820	824	835 818
Dec	849	848	860 845
Mar	875	874	886 873

Turnover: 13080 (9698) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 16 989.01 (941.13) 10 day average for Nov 19 896.17 (885.80)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	565	560	565 550
Jan	576	565	578 563
Mar	563	545	562 546
May	567	555	567 554
Jul	582	571	582 588
Sep	597	587	594 586
Nov	617	609	

Turnover: 2735 (4444) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 16: Comp. daily 68.06 (68.55). 15 day average 70.42 (70.73)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	144.5	147.9	147.5 144.0
May	164.0	167.0	165.0

Turnover 205 (51) lots of 40 tonnes.

SOYAMEAL – HI-PRO £/tonne

	Close	Previous	High/Low
Apr	119.00	117.50	119.00
Jun	119.00	118.00	119.00
Aug	120.00	118.00	120.00

Turnover 60 (146) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Nov	1326	1313	1320
Dec	1308	1300	1320 1310
Jan	1272	1265	1272 1268
Apr	1234	1225	1235 1230
Jul	1025	1036	1030 1025
Oct	1130		1130
BFI	1300	1298	

Turnover 145 (198)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Nov	116.80	116.60	116.80
Jan	119.80	119.65	119.90 119.80
Mar	123.60	123.35	123.60 123.50
May	127.00	126.70	127.00 126.85
Jun	128.50	128.20	
Barley	**Close**	**Previous**	**High/Low**
Nov	113.10	113.10	113.30 113.10
Jan	116.00	116.10	116.25 116.00
Mar	119.40	119.35	119.60 119.40

Turnover: Wheat 106 (273), Barley 87 (25).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	95.5		95.5
Jan	90.5	91.5	91.0 90.0
Feb	91.0	92.5	92.0 91.0

Turnover 28 (13) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 36,694 lots	
Cash	1570-5	1584-7	1588/1565	1565-6		
3 months	1608-10	1617-9	1613/1600	1603-4	1607-9	63,134 lots
Copper, Grade A (£ per tonne)					Total daily turnover 29,675 lots	
Cash	1329-30	1333-5	1341/1327	1340-1		
3 months	1322-3	1322-3	1335/1322	1330-1	1322-4	107,770 lots
Lead (£ per tonne)					Total daily turnover 2,695 lots	
Cash	351-2	368-8	348.5	348.5-9.0		
3 months	357-8	369.5-70	365/355	356-6.5	355-6	11,396 lots
Nickel ($ per tonne)					Total daily turnover 2,245 lots	
Cash	8475-525	8825-50	8550/8550	8550-60		
3 months	8250-75	8500-25	8425/8275	8300-20	8275-80	7,581 lots
Tin ($ per tonne)					Total daily turnover 1,984 lots	
Cash	6195-205	6195-205	6220/6175	6175-80		
3 months	6200-5	6195-200	6220/6175	6170-5	6210-20	9,093 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 4,061 lots	
Cash	1288-90	1290-5	1293/1288	1293-4		
3 months	1272-5	1273-5	1286/1270	1270-2	1271-3	19,842 lots

LME Closing £/$ rate:
SPOT: 1.9710 3 months: 1.9443 6 months: 1.9250 9 months: 1.9062

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	379½-380	192¼-193¾
Opening	376¾-377¼	190¾-191¼
Morning fix	377.80	191.093
Afternoon fix	377.80	191.030
Day's high	379¾-380¼	
Day's low	376¾-377¼	

Coins	$ price	£ equivalent
Mapleleaf	389-394	197-200
Britannia	389-394	197-200
US Eagle	389-394	197-200
Angel	389-394	197-200
Krugerrand	378-381	191½-193½
New Sov.	89-91	45-46½
Old Sov.	89-91	45-46½
Noble Plat	423.50-430.25	214.25-217.70

Silver fix	p/fine oz	US cts equiv
Spot	208.90	413.00
3 months	215.85	421.00
6 months	222.20	428.90
12 months	234.45	444.60

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
500	77	71	1	9
550	36	38	10	26
600	11	19	35	57
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	8	77	9	27
750		48	51	49
800		31	101	81

Brent Crude	Jan	Feb	Jan	Feb
2900	150	220	190	
2950				
3000	110	210		210

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	381.4	378.9	0	0
Dec	382.3	378.8	384.0	380.8
Jan	384.2	381.7	0	0
Feb	385.6	383.2	387.3	380.7
Apr	388.9	386.6	390.8	383.8
Jun	392.5	390.3	389.4	387.5
Aug	395.8	393.7	397.0	396.0
Oct	399.2	397.3	0	0
Dec	402.7	401.0	403.2	398.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	417.6	421.7	419.9	417.0
Apr	421.8	425.9	424.0	421.0
Jul	425.8	429.9	427.0	426.5
Oct	430.2	434.3	432.0	430.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	413.0	414.0	0	0
Dec	414.0	415.0	417.0	412.0
Jan	416.0	417.0	419.0	419.0
Mar	422.9	423.9	426.0	421.5
May	428.8	429.8	431.5	427.0
Jul	434.8	435.8	437.5	435.0
Sep	440.4	441.3	442.0	441.0
Dec	448.7	449.6	452.0	446.5
Jan	450.9	451.9	0	0
Mar	457.4	458.4	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	118.15	119.30	119.40	118.10
Dec	116.10	117.55	118.00	116.00
Jan	114.80	116.00	115.25	114.90
Mar	112.00	112.80	113.40	112.00
Apr	110.90	111.60	111.60	111.30
May	109.45	110.20	111.00	109.60
Jun	108.45	109.10	108.75	108.75
Jul	107.75	108.00	108.20	107.75
Aug	106.80	106.95	107.00	107.00
Sep	105.90	106.00	106.60	105.90

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	31.65	29.78	31.70	28.80
Jan	30.70	29.69	31.00	28.55
Feb	29.85	28.99	30.10	28.00
Mar	29.00	28.19	29.10	27.30
Apr	28.00	27.34	28.40	26.70
May	27.10	26.57	27.20	25.80
Jun	26.37	25.95	26.70	25.60
Jul	25.60	25.47	26.05	25.30
Aug	25.40	25.09	25.40	24.40
Sep	25.05	24.74	25.90	24.70

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	8735	8442	8780	8160
Jan	8675	8414	8740	8150
Feb	8430	8207	8450	7950
Mar	7970	7822	8000	7880
Apr	7600	7437	7600	7170
May	7250	7182	7300	7000
Jun	7080	6972	7080	6940
Jul	6875	6862	6875	6840
Aug	7000	6877	7000	6860

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1292	1312	1331	1285
Mar	1343	1366	1385	1334
May	1378	1400	1413	1370
Jul	1420	1440	1463	1420
Sep	1455	1475	0	0
Dec	1489	1500	1525	1525
Mar	1525	1540	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	84.45	81.36	84.50	80.80
Mar	88.25	85.45	88.30	85.30
May	90.60	88.00	90.65	88.05
Jul	92.95	90.05	93.00	90.60
Sep	94.75	92.05	94.75	93.00
Dec	97.40	195.00	97.30	96.50
Mar	99.40	97.65	0	98.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.86	10.07	10.00	9.75
May	9.83	10.02	9.96	9.79
Jul	9.84	10.03	9.95	9.75
Oct	9.83	10.02	9.95	9.76
Mar	9.88	10.02	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	74.34	74.25	74.80	73.75
Mar	73.65	73.63	74.00	73.30
May	73.95	74.03	74.15	73.70
Jul	74.20	74.20	74.60	74.10
Oct	67.78	67.79	68.00	67.80
Dec	65.53	65.56	65.65	65.51
Mar	66.28	66.25	66.20	66.20

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	110.40	109.45	110.50	109.50
Mar	111.70	110.50	111.70	110.50
May	112.30	111.10	113.00	111.25
Jul	112.40	111.50	112.50	112.00
Sep	112.40	111.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 19	Nov 16	mnth ago	yr ago
1730.0	1730.1	1724.7	1882.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 16	Nov 15	mnth ago	yr ago
Spot.	122.69	122.89	126.16	130.46
Futures	125.81	126.50	127.50	131.61

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	569/0	565/6	570/4	565/4
Jan	579/6	578/2	582/0	576/2
Mar	594/0	592/2	596/0	590/4
May	607/6	606/0	610/0	604/4
Jul	619/6	617/6	621/4	616/2
Aug	622/4	620/6	623/4	619/0
Sep	612/4	613/0	613/4	611/0
Nov	610/6	611/2	612/4	609/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	20.14	20.44	20.50	20.12
Jan	20.41	20.74	20.79	20.39
Mar	20.84	21.16	21.22	20.83
May	21.28	21.55	21.60	21.25
Jul	21.58	21.85	21.77	21.56
Aug	21.55	21.85	21.80	21.55
Sep	21.65	21.90	21.80	21.65
Oct	21.85	21.86	21.70	21.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	174.9	173.7	176.0	173.3
Jan	177.4	175.9	178.3	175.7
Mar	181.3	179.9	182.1	179.8
May	183.8	182.4	184.4	182.1
Jul	186.8	185.4	187.2	185.3
Aug	188.0	186.5	186.5	186.5
Sep	186.0	186.0	186.5	186.5
Oct	184.0	183.7	184.0	184.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	227/4	225/0	228/0	225/4
Mar	237/6	235/0	238/0	235/0
May	245/0	242/4	246/4	242/6
Jul	251/2	248/4	251/6	248/6
Sep	250/4	248/6	251/4	248/4
Dec	251/6	249/6	252/2	249/6
Mar	258/6	256/4	258/6	256/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	252/6	250/2	253/4	251/2
Mar	268/0	268/2	268/6	267/0
May	277/0	275/0	277/4	275/6
Jul	283/4	282/0	284/0	282/0
Sep	288/4	286/6	289/0	288/2
Dec	300/0	298/4	300/0	298/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	79.32	79.05	79.40	79.07
Feb	78.30	78.22	78.50	78.15
Apr	78.57	78.27	78.75	78.25
Jun	74.17	73.82	74.30	73.75
Aug	72.62	72.20	72.85	72.25
Oct	72.70	72.32	72.85	72.47
Dec	73.10	73.00	73.30	73.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	53.60	53.70	53.82	53.20
Feb	52.37	52.42	52.85	52.00
Apr	49.40	49.40	49.90	49.30
Jun	53.35	53.35	53.75	53.20
Jul	53.82	53.40	53.85	53.50
Aug	51.50	51.82	51.65	51.45
Oct	46.35	45.95	46.60	46.00
Dec	45.60	45.55	45.70	45.60

PORK BELLIES 40,000 lbs; cents/lb.

	Close	Previous	High/Low	
Feb	72.20	72.12	73.80	71.30
Mar	72.00	71.45	73.45	71.30
May	72.55	71.12	73.12	71.15
Jul	71.70	70.60	72.80	70.70
Aug	68.90	68.05	70.95	68.00

LONDON STOCK EXCHANGE

Legal issue sends the bears running

THE UK stock market opened the week, the first of a three week equity trading account, on a suddenly brighter note, gaining 37 points on the FT-SE Index scale at best and briefly moving above the FT-SE 2,100 point last seen on October 25.

A host of reasons were put forward for the sudden upswing, ranging from signs of improvement in Mrs Margaret Thatcher's chances of re-election to the Conservative Party leadership today, to the Iraqi offer to begin releasing hostages at Christmas, provided there is no outbreak of hostilities. But the principal factor, according to senior traders, was an internal market issue which drove market maker's to close their bear positions.

The upset to the market makers came, apparently, from indications that legal questions have been raised concerning the established practice of borrowing shares from institutions to meet selling commitments when they have not, in fact, bought the stock; in effect, going short. The practice, originally a bond market speciality, spread into equities many years ago and has become an important part of the trading system. Market makers often borrow stock at the end of a trading account which they need to settle commitments.

Account Dealing Dates		
*First Dealings:		
Nov 5	Nov 19	Dec 10
Option Declarations:		
Nov 15	Dec 6	Dec 27
Last Dealings:		
Nov 16	Dec 7	Dec 28
Account Day:		
Nov 26	Dec 17	Jan 7

*New-time dealings may take place from 9.00 am two business days earlier.

The International Stock Exchange seemingly alerted members last weekend of potential legal issues over stock borrowing, and the implications struck home yesterday. At least one market maker was heavily committed on the bear side and decided shortly after the opening of trading to buy the stock.

The FT-SE Index, which had opened very quietly as the market waited for today's voting by Conservative members of parliament in the party leadership election, jumped from plus 2 to plus 25 within half an hour. The gain was quickly extended, and the FT-SE Index moved above 2,100. In the futures market, the FT-SE December contract rose sharply. Also encouraging equities was a fall in Brent crude oil prices to below $30 a barrel, although this was reversed later in New York. At the day's peak, the FT-SE Index was 37.7 points up at 2,105.7.

Later, when New York opened somewhat cautiously, the London market came off the top. At its final reading of 2,095.9, the FT-SE Index was 27.9 up on the day.

The equity market has traded erratically but within a relatively narrow range of some 70 points (see chart) on the FT-SE Index scale since Sir Geoffrey Howe's resignation speech a week ago set the stage for today's vote by Conservative Party Members of Parliament on the party leadership. Investors' reactions to the political developments have largely hinged on the implications for the cuts in base rates for which the stock market is hoping. However, equities have stood up fairly well to last week's dip in sterling, which reduces the prospects for an interest rate reduction in the near term. County NatWest, the UK investment bank, said yesterday that the challenge to Mrs Thatcher's leadership "currently rules out any scope for an immediate reduction in UK base rates," but added that both the leadership contest and the inflation backdrop will be improving within a month. Barclays de Zoete Wedd, also noting that a clear cut decision on the leadership question could see perceptions change swiftly, said that the worst situation for the market would be an "unconvincing result" to the contest, leading to speculation throughout the winter of a further challenge to Mrs Thatcher.

Dividend question on Steel

British Steel enjoyed little share of the gains across the broad front of the market. Sellers always had the upper hand and the stock closed easier at 114½p ex-dividend after heavy turnover of 9.9m. The weakness was ascribed to renewed doubts over the group's "progressive dividend policy". This clause in the original privatisation prospectus has been taken to mean that annual dividend payments would be increased for a number of years. But British Steel made it clear recently that the dividend policy would remain "under review".

Mr Rupert Lewin of Robert Fleming believes the dividend will be cut in 1991/92, and recommends selling the shares. His argument rests on the company's historic vulnerability to recession and its new-found dependence on the currently weak construction industry.

The analyst estimates British Steel will break even in 1991/92 but that prudence will require the dividend to be reduced. The current share price does not discount such a move, and there is likely to be considerable downside in the shares as the market becomes increasingly fearful of a dividend cut according to Mr Lewin.

Pru quits property

The depressed state of the property market was obviously one of the factors prompting Prudential Assurance to announce that Prudential Property Services, its estate agency arm, is up for sale. But there was no immediate sign of a buyer and Prudential's price slipped 6 to 200p.

The company said it did not believe that the further investment of financial and management resources necessary to build the network into a position of market leadership was justified. In the six months to last June, Prudential Property Services reported a loss of £23.7m.

The decision to pull out of the estate agency business was viewed with concern by some analysts. There were immediate suggestions that Prudential appears to have bought at the top and is now trying to sell at the bottom. Furthermore, the current depressed state of the domestic housing market is expected to improve over the next two years. Mr Youssef Zizi, life insurance analyst at UBS Phillips and Drew, suggested that "the group must have other ideas of distributive strategy in mind".

Internationals played a relatively subdued role in yesterday's market advance, and were held back at the close by Wall Street's slow start to the new trading session. ICI was off the top at the end of the day with a gain of 8 to 865p, but gains in Reuters (448p) and SmithKline Beecham (580p) were small.

A weekend of brokerage and press comment on the UK government's plans to end the duopoloy in British telecommunications brought investment support for British Telecom, which added 8 to 278p but left Cable and Wireless lagging, 3 off at 424p.

Trading remained brisk in both Racal Telecom and Racal Electronics as the market continued to weigh the prospects for the proposed break-up of Electronics. But in the absence of information on the board's plans, business was two-way, according to dealers. Racal Electronics continued last week's advance, adding 2 to 188p, on turnover of 5.6m shares while Telecoms at 283p shaded lower on 1.5m.

Elsewhere in electricals, Thorn EMI attracted attention on hints that the board might follow the trend towards demergers by separating the group's consumer interests from the high technology side. The shares put on 18 to 687p but turnover was modest at 1.2m shares.

The onset of the brewery reporting season accompanied increased trading activity in the sector. The main issues all moved sharply higher on expectations of extremely respectable interim profits and earnings growth, starting with Whitbread tomorrow. The latter's "A" share rose 5 to 434p, while Allied-Lyons (November 27) advanced 7 to 479p and Guinness gained 17 to 748p.

Awaiting official changes, if any, in the proposed pubs for breweries swap with Elders IXL, Grand Metropolitan picked up 13 more to 590p. Bass, which has identified 2,650 pubs nationwide that could be sold or leased over the next two years, picked up 22 further to 1034p.

Heath (C.E.), insurance brokers and underwriting agents, announced a sweeping change in its London insurance businesses. This involves separating its operations into two divisions, retail and wholesale. The share price closed 6 lower at 434p ex-dividend.

ECC moved conversely to other industrial materials manufacturers, falling 15 to 299p. A downbeat preliminary statement is expected today because of more vigorous competition and a forecast downturn in the European paper industry. According to County NatWest, the current rating of the shares is untenably high. Exceptionals will cause profits to be even lower than our forecast of £100m, against £136.7m, says County.

Eurotunnel stock continued to recover with the emphasis on the nil-paid package, which closed 55 up at 163p premium. The units rose 18 to 338p. Inchcape, a possible contender for the FT-SE 100 index, jumped 12 to 241p while fellow overseas trader Lonrho responded further to last Friday's buy recommendation from S G Warburg, gaining 10 to 205p.

Building stocks were mostly firmer, helped by a more relaxed mood in the market. There were hopes that a quick resolution to the Conservative Party leadership contest and a recovery in sterling would increase the prospects of an early cut in UK interest rates. Redland moved firmer in good turnover, rising 8 to 534p as 2.5m shares changed hands.

Structural steel fabricators Severfield-Reeve rose 7 to 37p, having fallen sharply on Friday. The recovery followed the release of a statement by the company noting the recent fall but stressing that profits for the first nine months of this year have been similar to last year's figures, and that profits for the full year should be little changed from the year before.

A much brighter showing by leading engineering and aerospace stocks owed more to market technicalities than hard news. The sector's simply run out of sellers, said a senior market maker. "We pushed prices higher in an effort to flush out any further selling but all we did was encourage small buying." A triumph of hope over experience, was his description of events.

Hawker Siddeley traded more actively than most and closed 8 up at 424p while GKN rose 8 to 306p and TI gained 8 to 391p. Others to score noticeable gains were Laird, 9 higher at 174p, and McKechnie, 6 better at 203p.

Lucas Industries did benefit from positive analysis in the wake of a researchers' visit to the group's aerospace and automobile operations in France. County NatWest said the visit has reinforced its view that the new management team is beginning to realise the enormous potential that exists within Lucas. An attractive long-term investment, concluded County, as the shares rose 8 to 135p. Reports that Dowty was displaying interest in the telecommunications market helped the price advance 6 to 184p.

The decline in the oil price did not prevent an advance by Ultramar, which gained 7 to 339p, as two brokers recommended the shares. Barclays de Zoete Wedd said Ultramar's refining margins would remain strong even after a resolution of the Gulf crisis. In addition, demand for the liquefied natural gas which it produces in Indonesia would rise because of the uncertainties in the Gulf. Meanwhile, County NatWest advised a switch into Ultramar and Shell, which rose 2 to 436p, and out of BP, at 325p, up 4 xd.

Enterprise added 13 to 629p in further response to the encouraging drilling results its Vietnam field. British Gas rose 6½ to 223p ahead of its interim results on Thursday. A dividend of 3.6p against 3.2p is expected.

Cadbury Schweppes rose 7 to 327p after UBS Phillips & Drew suggested that its profits would grow at a faster rate than United Biscuits, which was unchanged at 320p. Phillips & Drew said the trading outlook at Cadbury was brighter and soft drinks offered further possibilities of growth. But UB's frozen food division was a cause for concern, while in snacks, it was likely to face stiffer competition from Pepsico. Ranks Hovis McDougall gained 9 to 274p ahead of its full-time results tomorrow. Most analysts are forecasting profits of £165m against £176.5m last year, but expect a recovery in the current year.

Brent Walker jumped 21 to 110p on news that the leisure group has acquired significant financial backing from Jefferson Smurfit, the Irish paper and packaging group. Sentiment was also buoyed by a decision not to refer the proposed acquisition of Brent Walker's Goldcrest by Harestock to the Monopolies and Mergers Commission.

Courtaulds Textiles resisted sell advice from UBS Phillips & Drew and rose 5 to 235p. The investment bank shaded its profits forecast to £43m from £46m because of "high risk" exposure to the US and low interest cover. Beaverco rebounded 20 to 50p on the disposal of its foam division to Recticel NV.

Water stocks performed strongly, as analysts viewed the sector with a favourable eye compared with the stock on offer in the impending privatisation of the electricity industry. Both sectors are regarded as relatively attractive, but the mechanism of the electricity sell off is likely to see a significant percentage of stock allocated to the small investor, and the subsequent bidding for stock by large institutions on the open market will depress the yield.

Investors were also encouraged by suggestions that the possible election of a Labour Government after the next General Election may not include the immediate return of the water industry to public ownership. Anglian Water rose 7 to 245p, while the Water Package added £63 to £2348.

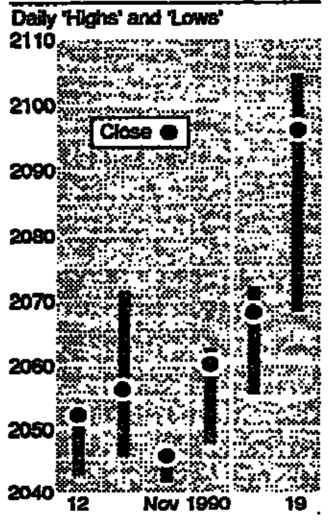
■ Other Market statistics, including the FT-Actuaries share index, Page 27

NEW HIGHS AND LOWS FOR 1990

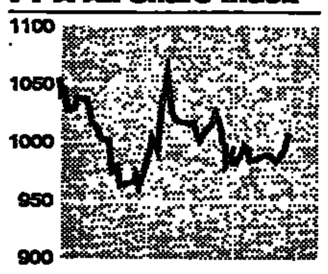
NEW HIGHS (15).
BRITISH FUNDS (7) INDUSTRIALS (1) Boots, PAPERS (1) TRANSPORT (3) TRUSTS (7).
NEW LOWS (140).
CANADIANS (4) BANKS (2) BREWERS (1) BUILDINGS (6) CHEMICALS (1) STORES (6) ELECTRICALS (8) ENGINEERING (6) FOODS (2) INDUSTRIALS (28) AAF Inv., American Business Systems, Avon Rubber, British Fittings, Brompton, Brooks Service, Brown & Tawse, Burndene, Computer People, Dean & Bowes, Dixide Heal, Fenner, Gleves, Goode Durrant, Harding, Harris (Ph.), Lincoln House, MITIE, Mayflower, Morgan Crucible 7.5p Pref., Norfolk House, Porter Chadburn, Shanks & McEwan, Shaw (Arthur), Sketchley, Suter, Tame (John), Tomkins (F.H.) 5.5pc Pref., Tubular Exhibitions, Wellcome, Wyko, Wyndham, Yale & Valor, INSURANCE (2) LEISURE (3) MOTORS (6) NEWSPAPERS (1) PAPERS (7) TEXTILES (1) TRANSPORT (4) TRUSTS (38) OILS (7) OVERSEAS TRADERS (1) MINES (11) THIRD MARKET (3).

FT-SE 100 Index

Daily 'Highs' and 'Lows'

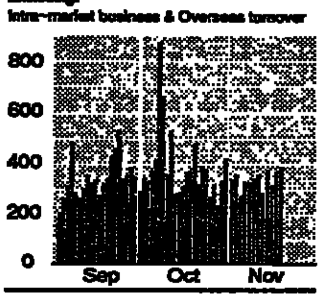


FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Nov 19	Nov 16	Nov 15	Nov 14	Nov 13	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.65	80.45	80.19	80.00	80.35	83.50	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.48	88.45	88.40	88.40	88.48	93.29	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1648.0	1614.8	1599.6	1583.2	1593.6	1734.1	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	155.0	157.4	156.1	161.7	162.3	274.1	378.5 (6/2)	155.0 (19/11)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2095.9	2068.0	2060.0	2046.0	2056.0	2183.1	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	972.67	958.01	956.18	955.48	961.66	-	1000.00 (26/10)	948.81 (8/11)	1000.00 (26/10/90)	948.81 (8/11/90)
Ord. Div. Yield	5.85	5.98	6.01	6.06	6.02	4.82				
Earning Yld %(full)	12.22	12.44	12.54	12.65	12.51	11.54				
P/E Ratio(Net)(☆)	9.91	9.73	9.65	9.57	9.68	10.46				
SEAQ Bargns 4.45pm	22,369	24,265	20,854	18,490	20,201	24,493				
Equity Turnover(£m)†	-	981.00	720.00	632.94	782.40	664.19				
Equity Bargains†	-	23,160	19,753	17,457	19,165	23,318				
Shares Traded (ml)†	-	380.3	377.2	308.0	385.7	319.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 9.74

Ordinary Share Index, Hourly changes — Day's High 1654.1 — Day's Low 1611.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1619.2	1631.1	1640.7	1643.1	1645.6	1653.7	1653.9	1651.0	1647.5

FT-SE, Hourly changes — Day's High 2105.7 — Day's Low 2068.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2068.3	2093.8	2092.1	2093.9	2095.7	2104.5	2104.8	2099.4	2095.0

FT-SE Eurotrack 100, hourly changes — Day's High 974.34 — Day's Low 963.45

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
963.47	965.01	968.96	969.14	971.54	973.63	973.47

GILT EDGED ACTIVITY

Indices*	Nov 16	Nov 15
Gilt Edged Bargains	110.2	109.2
5-Day average	114.5	117.8

*SE Activity 1974.
†Excluding Intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

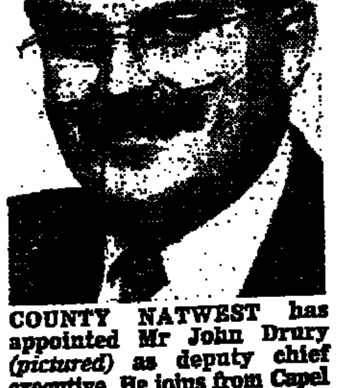
TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	277	112		Cookson	621	90	+1	MEPC	744	495	+9	Smith & Nephew	1,500	108	+1½
ASDA Group	1,400	126½	+2½	Courtaulds	532	316	+4	Manpower	136	48	-½	SmKl Beecham	2,600	580	+4½
Abbey National	2,800	221½	+4½	Dalgety	760	347	+7	Marks & Spencer	3,200	239	+5	SmKl Beecham Uts.	587	2529	
Allied-Lyons	2,100	479	+7	Dixons	1,000	144	+1	Maxwell Comms.	107	142	+2½	Smiths Inds.	495	219	+2
Amstrad	2,000	65	+2	ECC Group	735	299	-15	Midland Bank	1,500	192	+2	South West Water	180	240	+5
Anglian Water	1,700	245	+7	Enterprise Oil	645	629	+13	NatWest Bank	4,700	276	+6	Southern Water	555	211	+3
Argos	1,300	252	+6	FKI	2,400	54	+1	Next	1,400	22	+½	Standard Chartd.	227	258	+2
Argyll Group	3,400	237	+4	Ferranti	361	16		North West Water	1,700	239	+10	Storehouse	1,000	126	+1
Ass. Brit. Foods	227	403	+3	Fisons	1,000	372½	+3½	Northern Foods	274	351	+2	Sun Alliance	1,800	330	+1
BAA	679	377	+3	Gen. Accident	1,300	465		Northumbrian Water	200	245	+4	Sun Life	1	1025	+12
BAT Inds.	2,400	652	-1	General Elect.	5,500	186	+4	Pearson	182	695	+15	T&N	1,600	163	+8
[illegible]				[illegible]				[illegible]				[illegible]			
British Airways	4,100	141	+3	Hillsdown	4,100	255	+2	Rolls Royce	3,100	162	+2½	United Biscuits	1,100	320	
British Gas	5,500	223	+6½	IMI	521	199	+5	Rothmans	189	695	+11	Utd. Newspapers	458	301	+19
British Land	520	280	+4	ICI	1,500	866	+9	Ryl Bk Scotland	1,800	152	+3	Water Package Uts.	1	£2348	+63
BP	7,300	325	+4	Inchcape	1,200	241	+12	Royal Insurance	1,300	366	+3	Wellcome	336	367	+4
British Steel	9,900	114½	-½	Kingfisher	2,300	368	+8	STC	369	317	+2	Welsh Water	89	258	+6
British Telecom	3,500	278	+8	Ladbroke	1,800	279	+5	Saatchi	559	36½	-1	Wessex Water	408	230	+4
Burmah	2,100	63	+3	Land Securities	590	525	+8½	Sainsbury	1,700	298		Whitbread 'A'	1,400	434	+5
Burmah Castrol	612	446	+6	Laporte	655	460	+10	Scottish & New.	1,200	377	+1	Wiggins Teape	633	161	+3
Burton	8,700	82	+3	Legal & General	825	371	-1	Sears	3,500	84	+2	Williams Hldgs.	734	229	+8
Cable & Wire.	4,100	423	-4	Lloyds Abbey	781	318	+6	Sedgwick	850	230	+5	Willis Corroon	2,800	247	-1½
Cadburys	1,100	326	+7	Lloyds Bank	3,000	298	+6	Severn Trent Water	2,100	207	+8½	Wimpey	610	210	+5
Calor Group	257	205	+3	LASMO	301	417	+5	Shell Transport	6,500	436	+2	Yorkshire Water	351	252	+7
Carlton Comms.	190	342	+12	Lonrho	3,400	205	+10	Slebe	468	294	+10				
Coats Viyella	1,400	117	-1	Lucas	4,800	135	+8	Slough Ests	182	226	+6				
Comm. Union	412	469	+2	MB Caradon	489	168	+6	Smith (W.H.) A	520	376	+8				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

Top post at County NatWest



COUNTY NATWEST has appointed Mr John Drury *(pictured)* as deputy chief executive. He joins from Capel Court Investment Bank, where he was executive director responsible for managing and developing the trading and sales division, and the treasury of the parent company, National Mutual Royal Bank.

■ Mr Lyndon Bolton has been appointed a director of GT PENSIONS MANAGEMENT.

■ HERTZ EUROPE has appointed Mr Simon H. Ellis to the new post of division vice president, property and facilities. He joins from the US where he was properties director of Hertz Rent a Car.

■ SUPERDRUG STORES has appointed Mr Peter Hutchinson as management information systems director and executive director of the board. He joins from Four Square where he was head of systems and planning.

■ ALLIED DUNBAR has appointed Mr Rod Haire as general manager of its international group. He succeeds Mr John Jory who becomes director (systems & administration) with Allied Dunbar's Spanish operation, Dunbar Vida y Pensiones.

■ Mr David Briscall has been appointed manager of the CO-OPERATIVE INSURANCE SOCIETY's marine and reinsurance department, succeeding Mr Stanley Darlington who has retired. Mr Briscall was manager, international co-operative reinsurance bureau.

■ Mr David W. Lazenby, chairman of Andrews, Kent & Stone, has been installed as president of the INSTITUTION OF STRUCTURAL ENGINEERS.

■ Mr Robert Widmer has been appointed director, vehicle and component engineering for FORD OF BRITAIN in succession to Mr Clive Ennos, who has joined Jaguar Cars as director, product engineering operations. Mr Widmer was formerly vice president, quality staffs, Ford of Europe.

■ GREIG FESTER has appointed Mr Hugh Peppiatt as a non-executive director. He was senior partner of Freshfields, a leading City firm of solicitors.

■ THE NIKKO BANK (UK) has appointed Mr Johannes Anton Nicolaas Dinger as general manager, credit and commercial banking. He was senior corporate manager, corporate banking, Lloyds Bank. Mr Dinger succeeds Mr Akira Hirano who becomes associate director and general manager, operations, and company secretary, from January 1. Mr Hiroshi Hayashi returns to Tokyo in January.

■ Mr Brian Nathan has been appointed chairman of the LONDON PLATINUM AND PALLADIUM MARKET following the retirement of Mr Patrick Smith.

■ Mr Phil Honeywell has been appointed joint managing director of DANE & CO. He was an associate director.

■ Mr Robert North has joined the board of THE BECKENHAM GROUP as group finance director. He was with Newarthill.

■ S.R. GENT has appointed Mr David Kahn as director, commercial control; and Mr Julian Wheeler, operations director, becomes responsible for planning domestic and international production. Mr Mike Stakol joins from Chinacraft on November 26 as director, product development and marketing worldwide.

■ BANK OF AMERICA has promoted Mr Alan Paul Chappell to senior vice president. He is manager of its London foreign exchange trading centre.

■ Mr Larry Sargent has been appointed group finance director from January of G. & G. KYNOCH, a medical and scientific equipment group. He was group finance director of IMP Europe.

NATIONAL & PROVINCIAL BUILDING SOCIETY has appointed Mr Paul Chapman *(pictured)* as director of business and organisation development. He was director, business management systems and quality, with Rank Xerox.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
[illegible]						
		Five to Fifteen Years				
[illegible]						
		Over Fifteen Years				
[illegible]						
		Undated				
[illegible]						

BRITISH FUNDS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		Index-Linked			(1)	(2)
[illegible]						

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or -	Div %	Red. Yield
[illegible]						

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
21⅞	5½	Chase Manhattan $12½	5⅝xd	+⅜	$1.20	–	22.3
19¼	524p	Chem. Banking Corp.	620p	+7	$1.00	–	8.2
[illegible]							

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro F15	£9½	.....	Q28%	2.1	8.8	5.3
303	145	ANZ SA1	150	+1	44c	1.4	11.9	5.9
233	173	Abbey National 10p	221½	–4½	5.7	4.3	3.4	9.0
*274	128	Allied Irish Ord	142xd	+3	†Q40%	3.3	6.3	6.4
85	47	Anglo Irish	53	.....	†Q18.7%	2.7	7.9	7.6
93	61	Ansbacher (H.) 1p	62	.....	2.5	1.3	5.5	17.6
£71¼	£32½	Bancaire Cie Fr100	£48½	+2¼	Q012½%	–	2.7	–
£22¼	£13¼	Banco Bilbao Viz.	£13⅛	–⅛	Q49.1%	2.7	6.1	9.0
286	130	Bank Ireland Ir£1	142xd	+2½	Q14.7%	2.9	9.3	5.0
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	f15.0	–	5.7	–
129½	100	Bank Scotland	110	+3	f4.55	3.4	5.5	7.0
100¼	83¼	Do. 9¼pc Irrd Pf.	96	+1	9¼%	–	12.8	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	365	+8	†h19.57	3.5	7.1	5.1
22	10	Benchmark 20p	10	.....	0.75	–	10.0	–
335	238	Brown Shipley £1	249	.....	12.0	2.2	6.5	7.9
*435	285	Cater Allen £1	357xd	.....	F24.5	–	9.2	–
179	29	Chancery	37	.....	9.0	2.7	–	1.5
£23¾	£14	Commerzbk DM10	£15⅞	+⅛	Q18%	–	3.9	–
£13¼	620	Dai Ichi KBk Y50	700	–13	Q17%	6.2	0.5	33.0
*£315	£10⅝	Deutsche Bk DM50	£209½	+5¼	Q38%	–	2.2	–
£207½	£145	Espirito Santo	£15¼	–⅛	075c	5.1	2.5	7.8
253	166	First Nat. Fin. 10p	179	+1	13.0	2.1	9.7	6.2
121	82	FNFC 6.3pc Cv. Pf.	89	–1	6.3%	–	9.4	–
£13¼	633	Fuji Bank Y50	816	–4	Q17%	6.9	0.4	34.7
325	262	Gerrard & National	289	+1	19.0	–	8.8	–
154	85	Guinness Mahon 10p	85	.....	2.1	–	3.3	–
328	194	Hambros 20p	228	+4	11.5	–	6.7	–
128	86	Do. 7.5pc Cv. Pf.	95	+1	7½%	–	10.5	–
53½	29	HK & Shang. HK$2.50	30	+½	†hQ38c	–	8.5	–
478	373	Joseph (Leo) £1	373	.....	15.85	–	5.7	–
150	105	King & Shaxson 20p	116xd	+1½	10.25	–	11.8	–
422	262	Kleinwort Benson Grp.	278	+4	16.0	2.5	7.7	6.6
642	316	Kyowa Bank Y50	377	–6	Q14%	♦	0.8	♦
316	220	Lloyds £1	290	+6	†13.3	2.6	6.1	6.8
56	44	Lon. Scot. Bank 10p	48	.....	12.4	1.9	6.7	9.5

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES — Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
		Components						
458	420	Abbey Panels	453	....	3.5	10.8	1.0	12.0
225	135	Airflow Streamlines y	140	....	6.0	3.0	5.7	7.8
190	145	Bostrom 5p	157	....	†5.75	3.1	4.9	7.1
266	160	Dowty 50p	184	+6	9.0	2.1	6.5	8.9
299	117	FR Group	121	+1	6.37	3.2	7.0	6.2
135	35	Kwik-Fit Hldgs. 10p	79	....	†2.4	2.3	4.1	14.6
174	102	Lucas Inds	135	+8	7.0	2.5	6.9	6.6
44	14	Do. Warrants	19½	+2¼	—	—	—	—
80	56	Mid-States 10p y	54	....	s20.75	—	1.8	46.9
		Garages and Distributors						
28	16	Alexanders 10p y	16	....	1.0	3.0	8.3	4.8
155	78	Appleyard 10p	89	....	†7.8	2.4	11.7	4.2
110	55	Bletchley Motor 20p y	65	....	†7.5	1.5	15.4	4.6
568	398	Caffyns 50p	403	....	11.5	0.3	3.8	—
121	91	Central Motor Auctns y	91	−4	†3.25	3.2	4.8	8.7
61	23	Cook (D.C.) Hldgs y	25	+2	1.0	5.3	5.3	4.7
89	33	Cowie (T.) 5p	60	+1	4.2	1.5	11.2	6.9
95	56	Dagenham Motors 10p y	73	−1	†5.25	2.8	9.6	5.0
98	75	Davenport Vernon 10p y	76	....	3.5	3.6	6.1	5.3
29	16	Equity & Gen 5p	[illegible]	....	†1.5	1.7	10.0	(7.1)
247	163	Evans Halshaw	194	−1	11.25	2.4	8.2	6.7
113	68	Gates (F.G.)	78	+2	2.75	1.9	5.2	13.1
161	25	Gowrings 10p y	34	+1	5.63	1.6	20.9	6.2
81	44	Jacks Wm. y	44	....	†2.0	1.0	‡	21.6
118	49	Jessups y	49xd	−½	7.0	◆	19.0	◆
297	162	Lex Service	180	−1	15.3	1.9	11.3	6.3
147	50	Lookers y	79	....	6.2	3.9	10.5	3.2
49	21	Malaya Group 10p y	25	....	2.0	◆	11.4	◆
133	86	Pendragon	87	....	21.8	—	2.8	5.6
178	100	Perry Group	100	....	9.0	1.4	12.0	7.4
133	55	Quicks Group 10p y	55	−3	6.0	5.0	14.5	2.9
238	150	Sanderson Murray Elder	200	....	—	—	—	14.8
26½	13½	Trimoco 10p	14	....	1.4	2.4	13.3	4.0
£222	£120	Do. 11¼pc Ln '96	£142	....	Q11.5	—	8.1	—
86	68	Wardy (Reg) 10p y	74	....	3.6	3.4	6.5	8.2

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
81	46	Do. 5¼pc Cv Pf '12 y	58	+2	5¼%	—	14.0	—
177	137	[illegible] 10p y	145	....	†5.75	3.5	5.3	7.7
67	47	HK Land Hldgs 10c	50	....	†Q6.15c	◆	6.6	◆
18½	6½	INNOCO 10p	7	+¼	—	—	—	—
250	225	Jermyn Invest	250	....	3.0	16.9	1.6	4.9
37½	30	Key City Prop	30	....	—	—	—	—
550	443	Land Securities £1 α	526xd	+8½	†17.0	1.6	4.3	19.2
£91⅝	£76⅛	Do. 10pc 1st Mt Db 2025 y	£84⅜	....	Q10%	—	11.9	—
£91	£76¼	Do. 10pc 1st Db 2030 y	£83¾	....	Q10%	—	11.9	—
670	508	Lend Lease 50c	546	....	Q70c	◆	5.3	◆
£95	£79¼	[illegible]	£85½	....	Q10¼%	—	12.0	—
88½	73	[illegible]	76	+1	8.88%	—	15.6	—
158	8	Lexis & Wrington 5p	8	....	6.65	2.9	—	0.4
48	20	Lon. Securities 15p y	20	....	1.5	4.8	10.0	2.7
81	44	Do. 8¾pc (Net) Cv y	48	....	8.25	—	22.9	—
549	413	MEPC α	498	+9	†17.0	1.7	4.6	16.3
82	27	Markheath	38	....	6.0	1.4	21.1	3.3
43	16	Marylebone Ests 5p	17	....	†3.0	1.4	‡	4.0
*215	12	McInerney 10p y	13	....	Q34.7%	—	‡	—
175	120	McKay Secs 20p y	140	....	5.8	1.8	5.5	13.2
27	6	Merchant Manf. Ests y	6	....	1.0	—	22.2	—
436	203	Merivale Moore 5p y	200	....	10.5	5.0	6.7	4.0
63	8	Merlin Intl Props	8	....	2.0	—	—	—
71	21	Micklegate Grp 1p y	21	....	1.25	3.4	14.3	2.5
58	35	Molyneux Ests y	36	....	20.5	—	1.9	—
107	37	Morfield Estates 10p y	39	....	3.75	4.0	12.8	2.6
163	55	Mountleigh	77	+5	4.75	—	8.2	—
94	40	Do. 5.25pc Cnv Pf y	49	+1	5.25%	—	14.3	—
1200	815	Mountview Ests 5p y	815	....	11.5	11.0	1.9	6.4
40	7	Mowat Group 10p	11	+1	0.5	◆	6.1	◆
124	86	Muckiow (A. & J.)	107	....	5.13	1.3	6.3	16.9
63	36	New Cavendish 5p	40	+4	—	—	—	8.4
27½	9	New Eng. Prps 5p	9½	....	1.0	1.3	14.0	6.8
19	11¼	Oxnory Estates 5p	12½	−½	0.85	1.2	9.1	11.6
237	132	Palmerston Hldgs y	133	....	8.78	1.4	8.8	10.3
238	125	Peel Hldgs	138	....	10.0	0.2	9.7	—
38	1½	Pennant Props. 10p	1½	....	†1.0	—	‡	—
204	100	Power Corp. Ir10p y	110	....	†Q75%	1.8	6.1	12.2
330	17	Priest Marians 10p α	33	....	ϕ3.5	12.2	13.3	0.8
£107½	£10	Do 6½pc Cv Ln '08/03	£29	....	Q6.5%	—	22.4	—
78	10	Prior 10p y	11	....	5.0	0.5	—	(5.5)
330	255	Prop. Partnership y	255	....	6.35	2.3	3.3	17.7
150	93	Prop. Sec. Inv 50p	110	....	3.75	1.1	4.5	24.7
3	[illegible]	Property Tst 1p	[illegible]	....	—	—	—	26.7
10½	2½	Raglan Prop 1p y	3	....	—	—	—	—
92	59	Regalian	74xd	+1½	4.0	2.1	7.2	8.9
476	60	Rosehaugh 20p	103	+6	ϕ2.0	7.9	2.6	8.2
226	150	Rowlinson 10p y	165	....	1.35	10.9	1.1	11.2
67	25	Safeland 5p y	25	....	†3.84	1.3	‡	4.6

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

For York Trust see Babcock Prebon

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
		Tins					
39	25	♥Ayer Hitam SM1	25	....	‡Q53.3c	0.7	—
75	45	Gopeng Berhad M$0.50	45	....	Q11c	2.6	4.6
67	27	Malaysia Mng. 10c	27	....	Q7c	2.3	4.9
160	130	Petaling SM1	130	....	Q180c	—	26.0
90	90	Tanjong Tin 15p	90§	....	—	—	—
		Miscellaneous					
190	85	Anglesey Mining 9p y	88	....	—	—	—
110	8	Do. Warrants y	11	....	—	—	—
17	4½	Anglo-Dominion	6	....	—	—	—
651	198	Bond Intl. Gold	202	+4	—	—	—
37	12	Butte Mining 10p y	12½	....	—	—	—
44	4	♥Colby Mines	5½	+¼	—	—	—
122	25	Cons. Murch. 10c	25	....	Q30c	5.5	—
26	3	♥DRX Inc	3	....	—	—	—
24½	7	♣Ennex. Int. Ir10p y	7½	+½	—	—	—
98	20	Europa Minerals 2p y	26	....	1.0	—	5.1
86	25	Geevor y	26	....	—	—	—
43	13	Greenwich Res. β	16	....	—	—	—
£10⅞	£4¾	♥Hemlo Gold Mines	£4¼	−⅛	SQ20c	—	1.9
£14⅛	£8⅞	Homestake Mining $1	£9⅞	....	Q20c	—	1.2
49½	13½	♣Kenmare y	14½	+½	—	—	—
20¾	7	♥New Sabina Res C$1	14	....	—	—	—
457	61	Northgate Expl C$1	61	−20	—	—	—
39¾	3½	♥Nor-Quest Res.	3½	−¼	—	—	—
255	90	Oryx Gold Hldgs	182	....	—	—	—
93	42	Plateau Mining 20p y	44	....	—	—	—
605	392	RTZ 10p α	429	+15	†18.5	2.5	5.7
14	4½	♥Thorco Res. Inc.	5¼	....	—	—	—
18	5	Vizcaya Hldgs 5p y	10	....	—	—	—
178	138	♣Young Group 10p y	138	....	17.8	2.7	7.5

THIRD MARKET

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
30	5	Analysis Hldgs 20p y	6	....	—	—	—	—
53	28	Andaman Res. 10p y	50	....	—	—	—	—
20½	10½	Automobiles of Dist. 5p α	12	....	◆	—	—	—
1½	0¾	Barbican Hldgs. 1p y	1	....	—	—	—	◆
45	31	Biocure 1p y	38	....	—	—	—	—
18	7	Burmia Exploration y	8	....	—	—	—	—
225	205	Cafe Inns £1	225	....	—	—	—	14.1
22	10	Caldwell Invs. 10p y	10	....	—	—	—	—
16½	10½	Caspen Oil 10p y	14	+½	—	—	—	◆
25	16	Celtic Gold y	19	....	—	—	—	—
95	36	Chelsea Artisans 5p y	36	....	—	—	—	—
24	6	ChemEx Intl y	15	....	—	—	—	—
215	95	Oxybond Storage Serv.	95	....	—	—	—	—
23	10¾	Dana Expl.	12¾	+¾	—	—	—	—
22	9	Edencorp Leisure 5p y	12xd	+3¼	a0.38	5.1	4.2	4.9
65	30	Eglinton Expln. Ir 50p y	30	−1	—	—	—	—
16	2	Do. Wrrnts y	4	+2	—	—	—	—
18	5	Far East Res. 10p	6§	....	—	—	—	—
125	105	Fast Forward Invs.	105	....	—	—	—	—
45	4½	Feltrim Mn Ir0.20	5	+½	—	—	—	—
55	25	Glencar Expln. y	28	....	—	—	—	—
225	65	Haemocell 1p y	87	+1	—	—	—	—
60	23	Hartley Baird 5p y	23	....	0.75	5.9	4.3	4.5
100	65	Hillclare 5p y	70	....	1.0	7.9	1.9	8.7
43	26	Image Store Hldgs 10p y	26	−3	—	—	—	—
62	22	Ivernia West y	40	+1	—	—	—	—
97	46	Kells Mins. Ir5p y	48	....	—	—	—	—
*33	6	Kemp (P.E.) 5p y	6	....	‡0.5	—	‡	—
398	225	M.L. Labs. 1p y	225	....	—	—	—	—
6¼	3½	Moray Firth 1p y	3½	....	—	—	—	—
45	20	Navan Resources y	20	....	—	—	—	—
57	20	Ovoca Gold IR 2p y	21	....	—	—	—	—
72	21	Oxford Virology 5p y	21	−1	—	—	—	—
83	61	Poddington 5p	77§	....	—	—	—	—
118	65	Ramsden's (Harry) y	65	....	L4.5	1.1	9.2	12.8
60	24	Rentaminster 5p y	24	....	—	—	—	—
38	7	Sempernova y	9	....	—	—	—	2.0
36	16	Sleepy Kids 5p y	16	....	—	—	—	—
3½	1¼	Systems Connections y	2	....	—	—	—	—
94	48	Tomorrows Leisure 20p y	48	....	1.0	4.4	2.8	8.7
55	27	UPL Group 10p y	32	....	—	—	—	—
89	16	Video Magic Leis. 1p y	16	....	—	—	—	—
6¼	2¼	Vista Ems 5p y	2½	....	—	—	—	—
5½	1¼	Wilton Group 1p y	1¼	....	—	—	—	4.2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Craig & Rose £1 y	700xd	+2
Finlay Pkg. 5p y	36	−2
Holt (Jos) 25p y	1305	....

IRISH

Stock	Price	+ or −
Cap 8½% Ln. 1991	£98¾	....
9pc Cap Ln. 1996	£93	....
Fin. 13% 97/02	£110½	....
Arnotts	167½xd	−2½
Carrol (P.J.)	154	....
Helton Hldgs. y	45	....
IRG	153¼	....
United Drug	133	....

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	45
British Steel	10½
Brit. Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¼
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property	
Brit Land	24
Control Secs	3½
Land Securities	42
MEPC	36
Mountleigh	11

Oils	
Aviva Petlm.	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	28
Gaelic Res.	2
Premier	8½
Shell	40
Tuskar Res.	6
Ultramar	31

Mines	
Lonrho	21
RTZ	40

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	38.72	38.72	41.41	-0.38	6.62
Gilts & Fixed Int	6	107.1	107.1	113.7	+0.5	10.11
High Inc Equity	6	113.3	113.3xd	121.1	+0.5	5.24
Worldwide Bond	6	188.1	188.1xd	199.4	+0.9	7.52
Capital Growth						
American Growth	6	145.0	145.0	155.0	-2.6	1.24
Asian Pacific	6	94.84	94.84	101.4	+0.3	0.20
Assets & Earnings	6	140.5	140.5xd	150.2	+1.3	3.61
Capital Reserve Acc	0	98.95	98.95	99.04	+0.07	7.21
Capital Reserve Inc	0	83.17	83.17	83.24	+0.06	7.21
Comdty & Energy	6	72.51	72.51	77.55	+0.20	1.28
1992 Enterprise	6	53.63	53.63	57.35	-0.21	3.71
Euro Capital Acc	6	84.15	84.15	90.00	-0.58	1.10
Euro Capital Inc	6	80.79	80.79	86.40	+0.56	1.10
General	6	147.7	147.7xd	157.9	+1.4	3.17
Japan	6	84.14	84.14xd	89.98	-0.56	0.00
Mastertrust	6	75.01	75.01	80.22	+0.17	3.20
UK Growth Acc	6	133.5	133.5xd	142.7	-0.6	3.09
UK Growth Dist	6	86.34	86.34xd	92.34	-0.34	3.09
US Emerging Cos	6	39.33	39.33xd	42.06	-0.34	0.00
Income & Growth	6	253.7	253.7xd	271.3	+2.5	3.78
Ethical	6	39.83	41.01	43.62	+0.11	2.29
International	6	50.35	51.09	54.35	+0.08	0.92
Dividend & Growth	6	40.67	41.72	44.38	+0.38	5.07
Global Gwth & Sec	6	46.83	47.10	50.10	-0.23	2.00

Brown Shipley & Co Ltd—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Int Growth	6	22.29	22.29xd	23.74	-0.48	0.29
Monthly Income	6	46.37	46.37	49.91	+0.19	5.01
North American	6	49.33	49.33	52.54	+0.61	0.41
Orient	6	89.56	89.56	95.38	+0.16	—
Recovery	6	33.01	33.01	35.16	-0.35	1.76
Smaller Cos Acc	6	169.9	169.9xd	182.6	+0.50	—
Smaller Cos Inc	6	102.7	102.7xd	110.4	-0.30	3.25

Bucknaster Mangmt Co Ltd (1200)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5¼	42.95	42.95	45.53	-0.25	5.19
(Accum Units)	5¼	45.09	45.09	47.80	-0.26	5.19

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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	Init Chge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 0296 392256						
American Eagle	5	57.79	57.79	61.73	-0.21	1.25
Australia	5	5.189	5.189	5.554	-.009	4.80
Equity	5	139.5	139.5	149.6	+1.9	5.14
Euro Spec Sits	5	97.82	97.82	105.4	+0.8	0.46
Financial	5	24.72	24.87	26.77	+0.02	5.58
Global Opps Inc	5	56.51	56.51xd	60.55	+0.05	0.00
Global Opps Acc	5	57.53	57.53	61.67	+0.05	0.00
Gold & Gen Inc	5	33.72	33.72xd	36.25	-0.09	1.10
Gold & Gen Acc	5	63.03	63.03	67.77	-0.16	1.10
Income	5	87.49	87.49	93.94	+1.09	6.81
Japan & General	5	109.0	109.0	117.2	+2.30	0.00
Preference Share	5	17.45	17.45xd	18.75	+0.14	14.15
UK Capital	5	76.53	76.53	82.24	+1.13	4.25
World Income	5	52.68	52.68xd	56.67	+0.86	6.23
Worldwide Capital	5	145.2	145.2	156.3	+1.9	3.50
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	90.75	91.47	97.83	-0.03	3.43
Global Growth Inc	6	87.19	87.88	93.99	-0.02	3.43
Global Balanced Acc	6	92.42	92.90	99.36	-0.13	4.96
Global Balanced Inc	6	86.20	86.54	92.56	-0.13	4.96
Value Tst Acc	6½	67.12	68.20	72.95	+0.54	4.68
Value Tst Inc	6½	65.45	66.50	71.12	+0.52	4.68
Intl Pen & Ch'ble Inc ♦	2	85.33	86.46	90.78	—	4.00
Intl Pen & Ch'ble Acc ♦	2	82.20	83.44	87.60	—	4.00
Touchstone Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	44.76	45.04	47.91	—	—
Overseas	5	39.57	39.71	42.24	—	—
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
Australian Opps	5	41.08	42.08	45.00	-0.30	0.26
(Accum Units)	5	42.27	42.27	45.08	-0.31	0.26
Cash	0	51.07	51.07	51.07	+0.02	14.00
Accum Units	0	51.07	51.07	51.07	+0.02	14.00
European Opps ♦	5	56.09	56.09xd	59.78	-0.01	0.00
(Accum Units) ♦	5	56.40	56.40xd	60.05	-0.01	0.00
Far Eastern Opps	5	98.35	98.35	104.85	-0.28	0.80

	Bid Price	Offer Price	+ or –	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Nov 13	37.2	38.6	—	2.82
Euro Expt Nov 13	47.9	50.2	—	2.55
Fixed Int Ex Nov 13	44.1	45.2	—	10.54
Japan Expt Nov 13	40.4	42.1	—	0.87
Managed Ex Nov 14	36.5	37.9xd	—	5.48
SE Asia Expt Nov 13	54.3	56.9xd	—	4.79
Sm Cos Expt Nov 13	28.0	29.4xd	—	4.23
UK Eqty Ex Nov 13	35.2	36.9	—	5.46
Phillips & Drew Fund Management Ltd				
Small Co's Nov 6	509.8	632.5xd	—	5.09
Do Accum	656.0	703.2	—	5.09
Int Expt Nov 7	144.5	146.5	—	4.7
UK Index Nov 6	960.6	982.0	—	4.06
Do Accum	1016	1037	—	4.06
Convertible Nov 16	78.09	80.66	+0.89	9.74
World ex UK Index Nov 12	632.9	641.4	—	2.16
Do Accum	639.13	647.71	—	2.16
Japan Index Nov 12	506.10	513.50	—	0.55
Do Accum	507.1	514.4	—	0.55
USA Index Nov 12	735.5	740.2	—	3.53
Do Accum	745.9	750.8	—	3.53
Europe ex UK Index Nov 12	782.8	802.1	—	3.13
Do Accum	795.0	814.5	—	3.13
Pacific ex Jap Index Nov 12	709.1	729.7	—	5.52
Do Accum	722.5	743.4	—	5.52
Managed Exempt Nov 11	88.1	89.74	—	5.38
American Exempt Nov 14	98.97	100.5	—	4.54
European Exempt Nov 14	101.5	102.8	—	3.00
Japan Exempt Nov 14	102.1	103.3	—	2.01
Pacific Basin Nov 7	96.46	98.76	—	5.05
NM Rothschild Asset Management Ltd				
NC Managed	52.0	55.4xd	+0.5	4.28
NC Property	174.3	191.2	—	—
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	118.3	119.2xd	—	4.21
Stewart Ivory & Co Ltd				
Saints PPP Oct 12	224.9	236.8	—	—
Closed to new business				

[illegible]

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National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Life Assurance Ltd

Providence Capital Life Ass. Co Ltd

Providence Capital Life Ass. Co Ltd — Contd.

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd — Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group Ltd

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd — Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group — Contd.

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

For UK Life Assurance see Century Life Plc

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Int'l Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Int'l Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fiesco International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

NM Life Assurance Intl Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plans.) Ltd

The Analysis Group PLC

Bryan Wells & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

Drummond Moore Plc

Edinburgh Money Management Ltd

Fairmount Glen Rolls Ltd

Gartmore Fund Managers Ltd

Hargreave Hale Financial Services (City) Ltd

I.P.S. Limited plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macintosh & Bowie F.S. Ltd

Northern Rings & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Policy & Co PLC

Roderick Financial Management Ltd

Shaw (Albert E.) & Co.

Sillin Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

Ivory & Sime Portfolio Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fund Mngt (Guernsey) Ltd

BBV-Bardays Fund Mgmt (Guernsey) Ltd

Bardays Unicorn Int'l (Ch Is) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mngrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Midland Bank Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Save & Prosper Internatl Mngrs (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Baring Portfolio Fund Managers Guernsey Ltd

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هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

* Prices as at Nov 15

	Bid Price	Offer Price	+ or -	Yield Gross
Tudor BVI Futures Ltd				
NAV Nov 15	$7429 98		+0.39	-
Tudor G-5 Unit Trust				
NAV Nov 7	$1023 46		----	-
Tyndall International (Bermuda) Ltd				
American Special Sits	$40 46	42.50	-0.08	-
Capital Protection (z)	C$11 09	11 65	(z)	-
Commodity	$28.51	29 94	(z)	-
Eurobond	$31 89	33.49	+0.21	-
Money (z)	$35 97	37.77	(z)	6.84
Mortgage (z)	C$14 85	15 60	(z)	-
North American	$34.98	36.74	+0.01	-
Overseas	$24 74	25.99	+0.16	-
Pacific Gold	$3.45	3 64	----	-
Tiger	$36.43	38.26	+0.23	-
Union-Investment-Gesellschaft GmbH				
Unifonds	DM30.21	31.80	+0.60	-
Unirak	DM67.65	71 05	+0.05	-
Unirenta	DM32.41	33.40	----	-
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90:10 Trust (Sicav)				
Dollar Fd BOPUPs	$10.30	10.31	----	-
Dollar Fd OPUPs	$8.23	8.33	----	-
Sterling Fd BOPUPs	£10 75	10.76	----	-
Sterling Fd OPUPs	£7 68	7.77	----	-
DM Fd BOPUPs	DM10.21	10.22	----	-
DM Fd OPUPs	DM7 18	7.26	----	-
Yen Fd BOPUPs	$9.34	9.35	----	-
Yen Fd OPUPs	$8 16	8.26	----	-
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$10 77	11.32	-0 02	0.71
Japanese Warrants	$7 28	7 71	-0.15	-
Asian Warrants	$7.80	8.26	-0.06	-
European Warrants	$5 95	6.31	-0.02	-
Managed	HK$9.11	9.72	-0 01	-
Wellington Fd Mngrs (Guernsey) Ltd				
Incml Growth Fd	$12.77	13.40	----	-
Wells Fargo U.S. IT Fund				
NAV Nov 16	$9.95		+0.05	-
Xiphias International Investment Fd Ltd				
Xiphias Int USD	$1.0253		----	-
Xiphias Int ECU	Ecu0.9712		----	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ψ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission. Isle of Man: Financial Supervision Commission. Jersey: Commercial Relations Department. Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling firmer

THE DOLLAR improved against European currencies, apart from sterling, on reported news that Iraq is sending more troops to Kuwait. The prospect of a conflict in the Gulf pushed the US currency higher, but it remained weaker on the day against the Japanese yen, after Mr Yasushi Mieno, governor of the Bank of Japan, spoke in favour of a strong domestic currency.

The dollar touched a low of DM1.4650, as the market continued to absorb indications that the US Federal Reserve has eased its monetary stance. The Fed added money to the New York banking system yesterday, when Federal funds were trading at $7\frac{5}{16}$ per cent. Action by the US authorities last week appeared to indicate a cut in the Fed funds target rate to 7¼ from 7½ per cent.

In Frankfurt the Bundesbank did not intervene when the dollar was fixed at a record low of DM1.4680, compared with DM1.4790 on Friday. This was near the bottom of the morning's trading range.

But fears of war in the Gulf prompted a dollar rally. At the London close the US currency had improved to DM1.4740 from DM1.4705; to FFr4.9750 from FFr4.9675; and to SFr1.2450 from SFr1.2445, but had fallen to Y129.00 from Y129.40. The dollar's index declined to 59.8 from 60.0.

Sterling had a firmer tone, but trading was nervous as domestic political events overshadowed the market. Dealers said that the pound is likely to suffer this week if Mrs Margaret Thatcher is deposed as UK prime minister at today's election for a leader of the ruling Conservative party.

This will reflect the fact that Mr Michael Heseltine, her opponent, is relatively unknown to foreign investors, but any fall could be short-lived if any new leader was seen to improve the chances of a conservative victory at the next UK general election. Recent opinion polls have suggested that Mr Heseltine is more popular with the British public and the pound could also receive a boost from his pro-European views.

Against this background, the market chose to ignore a drop in UK third quarter gross national product growth of 1 per cent from the second quarter. This was the first quarterly decline for five years, tending to confirm the onset of recession and encouraging speculation of lower UK bank base rates.

Despite a slight overall improvement the pound remained the weakest member of the European Monetary System. This prompted suggestions that even if the UK economy is in a recessionary phase there is limited scope for a cut in interest rates.

In London sterling rose to DM2.9050 from DM2.8900; to FFr9.8025 from FFr9.7650; and to SFr2.4525 from SFr2.4475. The pound also gained 45 points to \$1.9705, but fell to Y254.25 from Y254.50. Its index climbed 0.2 to 94.0.

£ IN NEW YORK

Nov.19	Latest	Previous Close
£ Spot	1.9710-1.9720	1.9657-1.9667
1 month	0.99-0.97pm	0.98-0.97pm
3 months	2.69-2.66pm	2.67-2.64pm
12 months	8.10-7.95pm	8.10-8.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.19	Previous
8.30 am	93.9	93.8
9.00 am	94.0	93.8
10.00 am	94.1	93.8
11.00 am	94.0	93.7
Noon	94.0	93.7
1.00 pm	94.0	93.7
2.00 pm	94.1	93.7
3.00 pm	94.0	93.8
4.00 pm	94.0	93.8

CURRENCY MOVEMENTS

Nov.19	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.0	-18.5
US Dollar	59.8	-19.2
Canadian Dollar	100.8	+1.9
Austrian Schilling	110.7	+12.5
Belgian Franc	112.4	-1.5
Danish Krone	111.5	+5.7
D-Mark	120.7	+26.5
Swiss Franc	116.0	+24.6
Dutch Guilder	115.8	+17.2
French Franc	105.9	-11.0
Italian Lira	100.0	-15.0
Yen	134.6	+69.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov.16.

CURRENCY RATES

Nov 19	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.738012	0.705837
U.S Dollar	7	1.44488	1.39509
Canadian $	12.82	1.66170	1.62277
Austrian Sch	6½	15.0354	14.4126
Belgian Franc	10¼	44.1339	42.3095
Danish Krone	10½	8.20836	7.86202
D-Mark	6.00	2.13698	2.04799
Dutch Guilder	7.25	2.41006	2.31040
French Franc	10¼	7.21501	6.91824
Italian Lira	12½	1611.57	1545.06
Japanese Yen	6	187.545	178.990
Norway Krone	8	8.37019	8.02175
Spanish Peseta	-	135.963	130.134
Swedish Krona	11	8.02848	7.69949
Swiss Franc	6.00	1.60827	1.73130
Greek Drach	20½	N/A	210.826
Irish Punt	-	N/A	0.764893

† European Commission Calculations.
* All SDR rates are for Nov 15

OTHER CURRENCIES

Nov 19	£	$
Argentina	10374.0 - 10399.0	5250.00 - 5260.00
Australia	2.5900 - 2.5920	1.3100 - 1.3110
Brazil	232.15 - 233.290	117.50 - 118.00
Finland	6.9700 - 6.9840	3.5300 - 3.5330
Greece	298.90 - 300.65	150.00 - 152.45
Hong Kong	15.3930 - 15.4070	7.7920 - 7.7940
Iran	125.50*	63.55*
Korea(Sth)	1394.30 - 1416.80	711.40 - 717.00
Kuwait	N/A	N/A
Luxembourg	59.75 - 59.85	30.30 - 30.40
Malaysia	5.3110 - 5.3240	2.6910 - 2.6930
Mexico	5801.00 - 5822.90	2935.00 - 2945.00
N.Zealand	3.2405 - 3.2455	1.6390 - 1.6410
Saudi Ar	7.3555 - 7.3880	3.7490 - 3.7510
Singapore	3.3710 - 3.3790	1.7075 - 1.7095
S.Af (Cm)	4.9780 - 4.9910	2.5210 - 2.5240
S.Af (Fn)	6.8895 - 7.0130	3.4965 - 3.5590
Taiwan	53.80 - 53.95	27.25 - 27.30
U.A.E.	7.2045 - 7.2360	3.6720 - 3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.134	-2.62	4.00	46
D-Mark	2.05586	2.04799	-0.38	1.67	27
Irish Punt	0.767417	0.764893	-0.33	1.62	17
Dutch Guilder	2.31643	2.31040	-0.26	1.55	15
Belgian Franc	42.4032	42.3095	-0.22	1.51	13
Danish Krone	7.84195	7.86202	0.26	1.02	-10
French Franc	6.89509	6.91824	0.34	0.94	-16
Italian Lira	1538.24	1545.06	0.44	0.83	-20
Sterling	0.696904	0.705837	1.28	0.00	-24

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9660 - 1.9780	1.9700 - 1.9710	0.98-0.96cpm	5.91	2.67-2.64pm	5.39
Canada	2.2900 - 2.3005	2.2905 - 2.2915	0.32-0.25cpm	1.49	0.87-0.75pm	1.41
Netherlands	3.26½ - 3.28	3.27 - 3.28	1½-1⅛cpm	5.27	3¾-3⅝pm	4.50
Belgium	59.75 - 60.15	59.75 - 59.85	28-22cpm	9.88	69-60pm	8.50
Denmark	11.11½ - 11.15¼	11.13¾ - 11.14¾	3¾-3¼orepm	3.70	9-7½pm	2.96
Ireland	1.0800 - 1.0870	1.0825 - 1.0835	0.34-0.29cpm	3.49	0.86-0.73pm	2.94
Germany	2.89½ - 2.91	2.90¼ - 2.90¼	1½-1⅛pfpm	5.94	3½-3¼pm	4.56
Portugal	254.90 - 256.50	255.30 - 256.30	47-69cdis	-2.72	177-234dis	-3.21
Spain	183.60 - 185.05	184.00 - 184.30	7-15cdis	-0.72	30-50dis	-0.87
Italy	2184½ - 2191	2187½ - 2188½	2½-1½lirepm	1.06	8-6pm	1.28
Norway	11.33½ - 11.38¼	11.35½ - 11.36½	2¼-1¾orepm	2.31	6-4¼pm	1.89
France	9.77¼ - 9.80¾	9.79¾ - 9.80¾	3½-3¼cpm	4.06	8½-6pm	3.37
Sweden	10.86½ - 10.93¼	10.89¾ - 10.90¾	¼-1oredis	-0.69	3-4⅝dis	-1.40
Japan	253¼ - 254½	253¾ - 254½	1¼-1⅛ypm	5.60	3¾-3½pm	5.01
Austria	20.36 - 20.45	20.41 - 20.44	8-8¼gropm	4.74	24-21¼pm	4.48
Switzerland	2.44¾ - 2.46	2.44½ - 2.45½	1¼-1cpm	5.20	3-2⅞pm	4.79
Ecu	1.4075 - 1.4115	1.4090 - 1.4100	0.49-0.46cpm	4.04	1.17-1.12pm	3.25

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.74-4.66cpm. 12 Month 8.09-7.79cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9660 - 1.9780	1.9700 - 1.9710	0.98-0.96cpm	5.91	2.67-2.64pm	5.39
Ireland†	1.8200 - 1.8255	1.8235 - 1.8245	0.38-0.33cdis	-2.34	1.22-1.12pm	2.57
Canada	1.1615 - 1.1650	1.1620 - 1.1630	0.42-0.44cdis	-4.44	1.15-1.19dis	-4.03
Netherlands	1.6535 - 1.6630	1.6620 - 1.6630	0.07-0.10cdis	-0.61	0.34-0.38dis	-0.87
Belgium	30.25 - 30.40	30.30 - 30.40	1.00-3.50cdis	-0.89	6.50-10.00dis	-1.09
Denmark	5.62¼ - 5.65¾	5.65¼ - 5.65¾	0.93-1.13oredis	-2.19	1.15-1.19dis	-0.83
Germany	1.4640 - 1.4745	1.4735 - 1.4745	0.06-0.09pfdis	-0.57	0.35-0.38dis	-0.99
Portugal	129.60 - 130.00	129.90 - 130.00	80-90cdis	-7.85	255-285dis	-8.31
Spain	93.10 - 93.75	93.35 - 93.45	50-54cdis	-6.68	149-156dis	-6.53
Italy	1105¼ - 1110¼	1110¼ - 1110¾	4.30-4.70liredis	-4.86	11.00-12.00dis	-4.14
Norway	5.73½ - 5.76¾	5.76¼ - 5.76¾	1.55-1.90oredis	-3.59	4.80-5.30dis	-3.50
France	4.95 - 4.97¾	4.97¼ - 4.97¾	0.75-0.80cdis	-1.87	2.48-2.58dis	-2.03
Sweden	5.51 - 5.53½	5.53 - 5.53½	2.85-3.15oredis	-6.51	9.15-9.80dis	-6.85
Japan	129.00 - 129.05	128.95 - 129.05	0.02-0.04ydis	-0.28	0.08-0.11dis	-0.29
Austria	10.31¼ - 10.34½	10.32½ - 10.33	0.75-1.10grodis	-1.07	2.40-3.40dis	-1.12
Switzerland	1.2390 - 1.2455	1.2445 - 1.2455	0.02-0.06cdis	-0.39	0.19-0.25dis	-0.71
Ecu	1.3970 - 1.4025	1.3980 - 1.3990	0.24-0.22cdis	-1.97	0.78-0.72dis	-2.15

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Nov 19	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	$14\frac{1}{8}$ - 14	$14\frac{3}{16}$ - $14\frac{1}{16}$	$14\frac{1}{8}$ - $14\frac{1}{16}$	$13\frac{27}{32}$ - $13\frac{23}{32}$	$13\frac{1}{8}$ - $13\frac{3}{16}$	$12\frac{11}{16}$ - $12\frac{5}{8}$
US Dollar	$7\frac{5}{8}$ - $7\frac{1}{2}$	$7\frac{13}{16}$ - $7\frac{11}{16}$	$7\frac{15}{16}$ - $7\frac{13}{16}$	$8\frac{1}{16}$ - $7\frac{15}{16}$	$7\frac{15}{16}$ - $7\frac{13}{16}$	$7\frac{15}{16}$ - $7\frac{13}{16}$
Can Dollar	$12\frac{3}{4}$ - $12\frac{1}{2}$	$12\frac{1}{2}$ - $12\frac{1}{4}$	$12\frac{5}{16}$ - $12\frac{3}{16}$	$12\frac{1}{16}$ - $11\frac{15}{16}$	$11\frac{15}{16}$ - $11\frac{13}{16}$	$11\frac{3}{4}$ - $11\frac{1}{2}$
Dutch Guilder	$8\frac{5}{8}$ - $8\frac{1}{2}$	$8\frac{5}{8}$ - $8\frac{1}{2}$	$8\frac{1}{2}$ - $8\frac{3}{8}$	$8\frac{11}{16}$ - $8\frac{9}{16}$	$8\frac{7}{8}$ - $8\frac{3}{4}$	9 - $8\frac{7}{8}$
Swiss Franc	$8\frac{3}{4}$ - $8\frac{5}{8}$	$8\frac{3}{4}$ - $8\frac{5}{8}$	$8\frac{5}{8}$ - $8\frac{1}{2}$	$8\frac{3}{4}$ - $8\frac{5}{8}$	$8\frac{11}{16}$ - $8\frac{9}{16}$	$8\frac{1}{2}$ - $8\frac{3}{8}$
D-Mark	$8\frac{1}{8}$ - 8	$8\frac{1}{4}$ - $8\frac{1}{8}$	$8\frac{5}{8}$ - $8\frac{1}{2}$	9 - $8\frac{7}{8}$	$9\frac{3}{16}$ - $9\frac{1}{16}$	$9\frac{5}{16}$ - $9\frac{3}{16}$
French Franc	$9\frac{5}{16}$ - $9\frac{3}{16}$	$9\frac{3}{4}$ - $9\frac{5}{8}$	10 - $9\frac{7}{8}$	10 - $9\frac{7}{8}$	$10\frac{1}{8}$ - 10	$10\frac{3}{8}$ - $10\frac{1}{4}$
Italian Lira	13 - 11	$13\frac{1}{2}$ - $12\frac{1}{2}$	$13\frac{1}{2}$ - $12\frac{7}{8}$	$12\frac{1}{2}$ - 12	$12\frac{1}{4}$ - $11\frac{7}{8}$	$12\frac{1}{4}$ - $11\frac{7}{8}$
Belgian Franc	$8\frac{7}{8}$ - $8\frac{5}{8}$	$8\frac{15}{16}$ - $8\frac{13}{16}$	$8\frac{15}{16}$ - $8\frac{13}{16}$	$9\frac{1}{8}$ - $9\frac{1}{16}$	$9\frac{1}{2}$ - $9\frac{3}{8}$	$9\frac{11}{16}$ - $9\frac{9}{16}$
Yen	$7\frac{15}{16}$ - $7\frac{13}{16}$	$8\frac{1}{8}$ - 8	$8\frac{3}{16}$ - $8\frac{1}{16}$	$8\frac{3}{8}$ - $8\frac{1}{4}$	$8\frac{7}{16}$ - $8\frac{5}{16}$	$8\frac{1}{2}$ - $8\frac{3}{8}$
Danish Krone	$9\frac{5}{8}$ - $9\frac{1}{2}$	$9\frac{5}{8}$ - $9\frac{1}{2}$	$10\frac{1}{8}$ - 10	$10\frac{3}{8}$ - $10\frac{1}{4}$	$10\frac{5}{8}$ - $10\frac{1}{2}$	$10\frac{5}{8}$ - $10\frac{1}{2}$
Asian $Sing	8 - $7\frac{7}{8}$	8 - $7\frac{7}{8}$	8 - $7\frac{7}{8}$	$8\frac{1}{16}$ - $7\frac{15}{16}$	8 - $7\frac{7}{8}$	8 - $7\frac{7}{8}$

Long term Eurodollars: two years $8\frac{3}{8}$-$8\frac{1}{4}$ per cent; three years $8\frac{7}{16}$-$8\frac{5}{16}$ per cent; four years $8\frac{3}{4}$-$8\frac{5}{8}$ per cent; five years $8\frac{3}{4}$-$8\frac{5}{8}$ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.19	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.971	2.905	254.3	9.803	2.453	3.275	2188	2.291	59.80
$	0.507	1	1.474	129.0	4.974	1.245	1.662	1110	1.162	30.34
DM	0.344	0.678	1	87.54	3.375	0.844	1.127	753.2	0.789	20.59
YEN	3.932	7.751	11.42	1000.	38.55	9.646	12.88	8604	9.009	235.2
F Fr.	1.020	2.011	2.963	259.4	10.	2.502	3.341	2232	2.337	61.00
S Fr.	0.408	0.804	1.184	103.7	3.996	1	1.335	892.0	0.934	24.38
H Fl.	0.305	0.602	0.887	77.65	2.993	0.749	1	668.1	0.700	18.26
Lira	0.457	0.901	1.328	116.2	4.480	1.121	1.497	1000.	1.047	27.33
C $	0.436	0.860	1.268	111.0	4.279	1.071	1.430	955.0	1	26.10
B Fr.	1.672	3.296	4.858	425.3	16.39	4.102	5.477	3659	3.831	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Lower London rates

A FIRMER pound and a fall in third quarter UK gross domestic product growth led to lower interest rates on the London money market yesterday.

Prices of short sterling futures rose on the prospect that a fall in GDP will produce lower interest rates, but the political situation, ahead of today's leadership contest for the ruling Conservative party, had no impact.

Three-month sterling interbank fell to $13\frac{11}{16}$-$13\frac{9}{16}$ from $13\frac{3}{4}$-$13\frac{11}{16}$ per cent and 12-month money declined to $12\frac{11}{16}$-$12\frac{9}{16}$ from $12\frac{3}{4}$-$12\frac{5}{8}$ per cent.

UK clearing bank base lending rate 14 per cent from October 8, 1990

On the Liffe market December short sterling opened firmer at 86.79 and rose to a peak of 86.94 before closing at 86.84 against 86.76 previously.

Day-to-day credit was in fairly comfortable supply on the money market, but the Bank of England kept conditions tight by not supplying enough help to take out the underlying shortage. The central bank initially forecast a shortage of £300m, but revised this to £250m in the afternoon.

Total assistance of £103m was provided. The authorities did not operate in the market during the morning, but bought £68m bills in the afternoon, by way of £5m Treasury bills in band 1 at 13¾ per cent and £63m bank bills in band 1 at 13¾ per cent. Late assistance of around £35m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £978m, with bank balances below target absorbing £125m. These outweighed exchequer transactions adding £250m to liquidity and a fall in the note circulation of £555m.

In Frankfurt call money eased to 8.05 from 8.10 per cent as banks appeared to be well supplied with liquidity. There was some speculation that the Bundesbank would not fully replace the DM13.1bn draining from the market at this week's securities repurchase agreement tender. The central bank is expected to offer one-month funds at a fixed rate of 8 per cent. Banks reserve holdings averaged DM73.9bn for the first fifteen days of November, well above the expected monthly requirement.

In Paris the Bank of France left its intervention rate at 9¼ per cent when injecting liquidity into the banking system at a securities repurchase tender. The five to 10-day repurchase rate was unchanged at 10 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.19) 3 months US dollars		6 months US Dollars	
bid $7\frac{13}{16}$	offer $8\frac{1}{16}$	bid $7\frac{13}{16}$	offer $7\frac{15}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9½
Fed.funds	$7\frac{5}{16}$
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	6.50	Three year	7.71
Two month	7.17	Four year	7.88
Three month	7.37	Five year	7.98
Six month	7.44	Seven year	8.22
One year	7.35	10-year	8.34
Two year	7.61	30-year	8.49

Nov.19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.00-8.10	8.25-8.35	8.70-8.85	8.75-8.90	8.85-9.00	8.50
Paris	$9\frac{7}{16}$-$9\frac{5}{16}$	$9\frac{13}{16}$-$9\frac{11}{16}$	$9\frac{7}{8}$-10	$9\frac{15}{16}$-$10\frac{1}{16}$	$10\frac{1}{16}$-$10\frac{3}{16}$	9.50
Zurich	$7\frac{3}{4}$-$7\frac{5}{8}$	$8\frac{5}{8}$-$8\frac{1}{2}$	-	$8\frac{1}{2}$-$8\frac{3}{8}$	-	-
Amsterdam	8.31-8.43	8.46-8.53	-	8.82-8.89	-	-
Tokyo	$7\frac{15}{16}$-8	$8\frac{1}{8}$-$8\frac{1}{4}$	-	$8\frac{3}{16}$-$8\frac{1}{4}$	-	-
Milan	$10\frac{5}{8}$-$10\frac{1}{4}$	$13\frac{5}{8}$-14	-	$12\frac{1}{4}$-$13\frac{1}{4}$	-	-
Brussels	6.40	$8\frac{13}{16}$-$8\frac{15}{16}$	-	$9\frac{1}{16}$-$9\frac{3}{16}$	-	-
Dublin	10-$10\frac{1}{4}$	$10\frac{1}{4}$-$10\frac{1}{2}$	$10\frac{5}{16}$-$10\frac{11}{16}$	$10\frac{7}{16}$-$10\frac{13}{16}$	$10\frac{13}{16}$-$11\frac{1}{16}$	-

LONDON MONEY RATES

Nov 19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	$14\frac{3}{16}$	$14\frac{3}{16}$	$13\frac{27}{32}$	$13\frac{1}{4}$	$12\frac{3}{4}$
Interbank Bid	14	$14\frac{1}{16}$	14	$14\frac{3}{16}$	13	$12\frac{1}{2}$
Sterling CDs	-	-	$14\frac{1}{8}$	$13\frac{5}{8}$	$13\frac{1}{8}$	$12\frac{5}{8}$
Local Authority Deps.	14	$14\frac{1}{16}$	$14\frac{1}{16}$	$13\frac{11}{16}$	$13\frac{1}{8}$	$12\frac{9}{16}$
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt. Deps.	$14\frac{1}{8}$	$14\frac{1}{16}$	$13\frac{15}{16}$	$13\frac{3}{4}$	-	-
Company Deposits	-	-	$14\frac{1}{8}$	$13\frac{3}{4}$	$13\frac{3}{8}$	$12\frac{15}{16}$
Finance House Deposits	-	-	$14\frac{1}{16}$	$13\frac{5}{8}$	$13\frac{1}{4}$	$12\frac{5}{8}$
Treasury Bills (Buy)	-	-	$13\frac{7}{8}$	$13\frac{5}{8}$	-	-
Bank Bills (Buy)	-	-	$13\frac{15}{16}$	$13\frac{1}{2}$	$12\frac{7}{8}$	-
Fine Trade Bills (Buy)	-	-	$14\frac{11}{32}$	$13\frac{5}{8}$	$13\frac{11}{16}$	-
Dollar CDs	-	-	7.87	8.00	7.90	7.88
SDR Linked Dep. Offer	-	-	$8\frac{3}{4}$	$9\frac{1}{16}$	$9\frac{1}{16}$	$9\frac{1}{8}$
SDR Linked Dep. Bid	-	-	$8\frac{1}{2}$	$8\frac{15}{16}$	$8\frac{15}{16}$	9
ECU Linked Dep. Offer	-	-	$9\frac{7}{8}$	$10\frac{1}{4}$	$10\frac{3}{8}$	$10\frac{3}{8}$
ECU Linked Dep. Bid	-	-	$9\frac{3}{4}$	$10\frac{1}{8}$	$10\frac{1}{8}$	$10\frac{1}{4}$

Treasury Bills (sell): one-month $13\frac{11}{32}$ per cent; three months $13\frac{3}{32}$ per cent; six months $12\frac{3}{32}$ per cent; Bank Bills (sell): one-month $13\frac{3}{4}$ per cent; three months $13\frac{5}{8}$ per cent; Treasury Bills; Average tender rate of discount 13.0333 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1990. Agreed rates for period Nov 26 1990 to Dec 25 1990, Scheme I 15.08 p.c., Schemes II & III: 15.32 p.c. Reference rate for period Sept 29, 1990 to Oct 31, 1990, Scheme IV&V 14.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent, three-six months 12 per cent, six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
November	1640.0	1651.0	+25.0	1661.0	1635.0	7,712
December	1644.0	1656.0	+23.5	1666.0	1644.0	1,472
January	1654.0	1654.0	+11.5	1654.0	1654.0	50
March	-	-	-	-	-	0

Estimated volume 8,145 Total Open Interest 9,234

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9705	1.9608	1.9440	1.9237	1.8903

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.9654	1.9682	1.9650	1.9588
Mar	1.9440	1.9450	1.9410	1.9342
Jun	1.9230	1.9230	1.9230	1.9146

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKET FUNDS

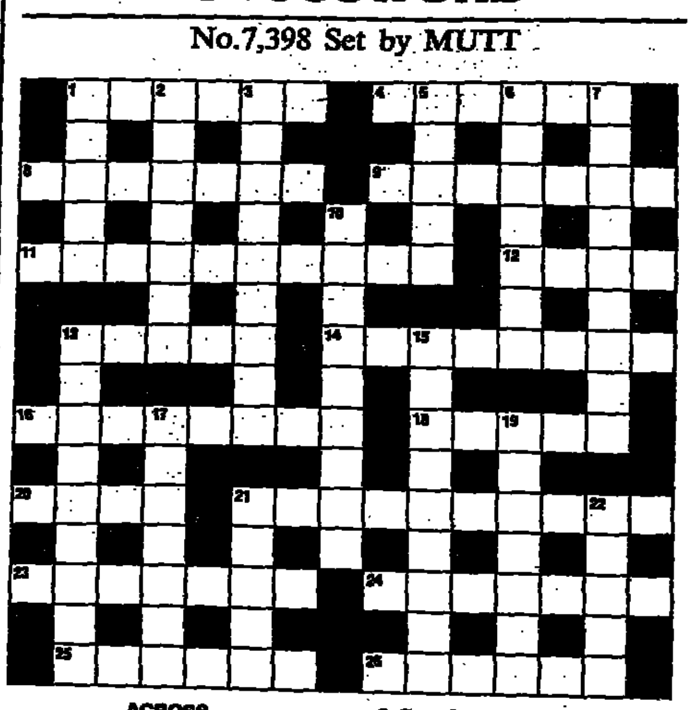
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,398 Set by MUTT



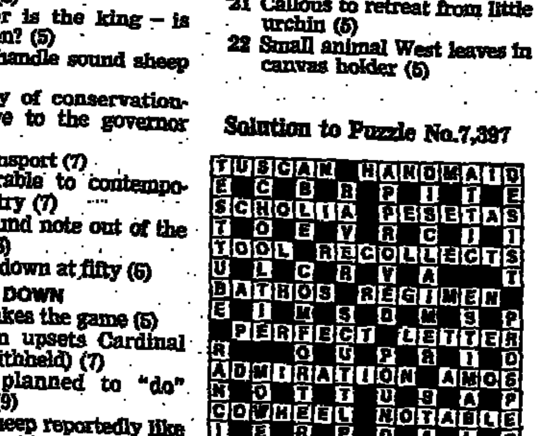
ACROSS

1 The doctor got up grumpy (6)
4 Peg sets roaster about a turn (6)
8 Gained knowledge and became mannered (7)
9 Fascination the key to exotic love? (7)
11 Elegant man, quiet, neat, bringing a complaint (7-8)
12 Cuts made in scallop shells (4)
13 Fool! I spoilt two pages (5)
14 Speed artist: shame about the fish (8)
16 Tired nag slipped on sloping ground (8)
18 Up-getter is the king – is the queen? (5)
20 How to handle sound sheep (4)
21 Company of conservationists wave to the governor (10)
23 Book transport (7)
24 Unfavourable to contemporary poetry (7)
25 Want pound note out of the sewer? (6)
26 Chaste 1 down at fifty (6)

DOWN

1 Striker takes the game (5)
2 Politician upsets Cardinal (name withheld) (7)
3 Docker planned to "do" Everest (9)
5 Lots of sheep reportedly like this plant (5)
6 Grand start to the morning: student lay in bed and speculated (7)
7 Instrumentalist, a kind of square funny man (9)
10 Choosing to put in time working (9)
13 Ring before turning up with the grass cutter – and see Fan about it, she's in charge (9)
15 Pig trader makes one quail (9)
17 Sputter in the river, notwithstanding (7)
19 Foreign in a way that's striking (7)
21 Callous to retreat from little urchin (5)
22 Small animal West leaves in canvas holder (5)

Solution to Puzzle No.7,397



WORLD STOCK MARKETS

AUSTRIA — November 19 — Sch. + or − [illegible]

BELGIUM/LUXEMBOURG — November 19 — Frs. + or − [illegible]

DENMARK — November 19 — Kr. + or − [illegible]

FINLAND — November 19 — Mks + or − [illegible]

FRANCE — November 19 — Frs. + or − [illegible]

FRANCE (continued) — November 19 — Frs. + or − [illegible]

GERMANY — November 19 — Dm. + or − [illegible]

GERMANY (continued) — November 19 — Dm. + or − [illegible]

ITALY — November 19 — Lire + or − [illegible]

ITALY (continued) — November 19 — Lire + or − [illegible]

NETHERLANDS — November 19 — Fls. + or − [illegible]

NORWAY — November 19 — Kroner + or − [illegible]

SPAIN — November 19 — Pts. + or − [illegible]

SWEDEN — November 19 — Kronor + or − [illegible]

SWITZERLAND — November 19 — Frs. + or − [illegible]

SOUTH AFRICA — November 19 — Rand + or − [illegible]

JAPAN — November 19 — Yen + or − [illegible]

AUSTRALIA — November 19 — Aust.$ + or − [illegible]

AUSTRALIA (continued) — November 19 — Aust.$ + or − [illegible]

HONG KONG — November 19 — H.K.$ + or − [illegible]

MALAYSIA — November 19 — MYR + or − [illegible]

SINGAPORE — November 19 — S$ + or − [illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices November 19

Quotations in cents unless marked $

Sales Stock High Low Close Chng [illegible]

f—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Nov. 16	Nov. 15	Nov. 14	Nov. 13	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	2550.25	2545.05	2559.65	2535.40	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.95	89.76	89.89	89.67	93.04 (3/1)	88.44 (24/9)	—	—
Transport	864.46	867.97	877.59	867.79	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.25	207.43	208.75	209.07	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High 2570.79 (2567.33) Low 2522.28 (2528.71)

STANDARD AND POOR'S

	Nov. 16	Nov. 15	Nov. 14	Nov. 13	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	317.12	317.02	320.40	317.66	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	371.23	371.23	375.22	371.69	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.23	22.23	22.53	22.24	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	173.30	173.12	174.68	173.31	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	297.52	296.69	297.87	295.56	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	350.85	354.52	356.87	352.80	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov. 9	Nov. 2	Oct.26	year ago (approx.)
Dow Industrial Div. Yield	4.09	4.08	4.17	3.94

	Nov.14	Nov. 7	Oct.31	year ago (approx.)
S & P Industrial div. yield	3.39	3.55	3.54	2.97
S & P Indl. P/E ratio	15.47	14.48	14.43	14.25

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Am T & T	3,712,000	32	- 1¼
Utd Telecom	2,833,500	22½	- 2⅞
Varity CP	2,608,300	2	- ⅛
Gen Motors	2,327,400	38⅜	- ⅞
IBM	2,269,700	113⅝	+ 1
Toys R US	2,237,300	22⅛	- ⅞
Ford Motor	2,195,200	27⅞	- ⅜
Gen Electric	2,096,800	56⅛	+ ⅜
Exxon	1,986,600	50⅜	+ ⅜
Philip Morris	1,606,900	48¼	- ¼

TRADING ACTIVITY

† Volume Millions	Nov. 16	Nov. 15	Nov. 14
New York	166.804	151.370	160.740
Amex	9.144	10.207	10.397
NASDAQ	131.971	117.971	130.810
Issues Traded	1,991	1,970	1,990
Rises	775	593	1,001
Falls	699	899	521
Unchanged	517	478	468
New Highs	13	9	18
New Lows	32	28	46

CANADA

TORONTO	Nov. 16	Nov. 15	Nov. 14	Nov. 13	1990 HIGH	1990 LOW
Metals & Minerals	2549.00	2541.13	2568.91	2593.85	3453.05 (4/1)	2486.60 (8/11)
Composite	3128.51	3114.51	3127.64	3135.08	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1676.30	1664.92	1676.49	1682.58	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 19	Nov. 16	Nov. 15	Nov. 14	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1348.0	1339.9	1345.3	1345.2	1713.7 (12/1)	1291.2 (2/11)
All Mining (1/1/80)	632.4	629.9	638.3	641.9	860.8 (5/1)	627.2 (2/11)
AUSTRIA						
Credit Aktien (30/12/84)	(u)	448.44	446.57	445.24	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5082.28	5070.60	5074.62	5106.24	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	335.43	336.84	336.14	336.26	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	409.3	407.8	406.5	405.3	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	426.71	422.87	421.98	424.02	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1633.65	1612.10	1598.02	1599.13	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	633.40	621.26	615.56	609.41	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1799.6	1763.2	1747.8	1730.1	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1467.47	1425.68	1421.19	1406.23	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	3042.58	3008.66	2990.47	3006.82	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1214.74	1205.35	1212.28	1218.09	1893.10 (22/1)	1205.35 (16/11)
ITALY						
Banca Com. Ital. (1972)	(u)	(u)	518.61	520.62	763.52 (14/6)	518.61 (15/11)
JAPAN						
Nikkei (16/5/49)	23518.16	23171.63	23487.48	23937.44	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1740.06	1720.12	1745.87	1770.30	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3107.53	3108.21	3140.58	3150.30	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	476.74	471.34	471.67	472.85	632.22 (1/8)	459.88 (28/9)
NETHERLANDS						
CBS TJ.Rtn.Gen.(End 1983)	227.4	226.1	226.9	226.7	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	166.7	165.7	166.3	166.2	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	666.56	678.75	688.75	693.54	915.13 (2/8)	666.56 (19/11)
PHILIPPINES						
Manila Comp (2/1/85)	651.63	645.82	647.54	614.50	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	312.36	310.23	310.77	311.35	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1264.0	1259.0	1254.0	1315.0	2230.0 (16/1)	1254.0 (15/11)
JSE Industrial (28/9/78)	2749.0	2725.0	2719.0	2730.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	680.04	697.46	701.45	704.89	925.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	233.45	231.64	231.20	230.73	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	859.0	866.3	862.8	862.5	1329.9 (5/7)	850.2 (9/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	637.2	633.0	641.7	645.3	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	525.6	519.8	523.9	525.6	698.2 (13/7)	512.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	4250.88	3845.82	3962.85	3850.27	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	658.25	656.91	655.84	652.13	1143.78 (25/7)	613.95 (25/9)
WORLD						
M S. Capital Intl (1/1/70) (S)	465.4°	459.2	460.3	463.2	571.0 (4/1)	423.1 (28/9)

**Saturday November 17: Taiwan Weighted Price: 4073.74 Korea Comp Ex. 691.98
§ Subject to official recalculation. °Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 19 November 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	10.7m	412	+12
Kyosan Elec	9.7m	1560	-80
M'bishi Heavy	9.0m	683	+11
NKK	8.0m	365	+7
Sanyo Elec	6.6m	625	+9
Yamazen	6.0m	1,500	+40
Fujikura	5.4m	804	+34
Howa Mchnry	5.4m	1190	+30
Hitachi	4.8m	1120	+40
N'matsu Cnstrn	4.5m	1350	-10

3pm prices November 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37⅛	9½	AAR	.48	4.2	7	434	11⅛	11	11½	+ ⅛
9⅛	7⅞	ACM n	1.01	12.		83	8⅝	8½	8½	– ⅛
11⅛	8¾	ACMIn	1.26	13.		1737	9⅞	9¾	9⅝	
9⅝	6½	ACM M	pf1.01	14.		214	7⅛	7⅛	7⅛	+ ⅛
12⅛	10	ACMMM	1.50	13.		88	11⅝	11½	11½	– ⅛
11½	8⅞	ACM Sc	1.26	13.		1277	9⅛	9½	9⅝	+ ⅛
9⅝	7¼	ACMSp	1.01	12.		469	8½	8⅜	8⅛	– ⅛
24⅞	15⅞	AL Lab	.16	.8	17	101	22	21⅞	21⅞	– ⅛
5½	1	AM Intl				142	1⅞	1½	1½	
20⅛	4⅞	AM In pf	2	28.		5	7⅛	7⅛	7⅛	
70⅛	39⅞	AMR			14	2089	48⅞	47⅞	47⅞	
4	1⅞	ARX				86	1⅝	1½	1⅝	+ ⅛
72⅛	38¼	ASA	3	7.4		808	41⅛	40⅛	40⅞	
3½	3⅛	ATTC wt				1	3⅛	3⅛	3⅛	– ⅛
45⅝	31⅛	AbtLab	s.84	2.0	20	3806	42⅞	42⅛	42½	+ ⅛
11⅝	4⅞	AcmeC	.40	7.4	6	76	5⅛	5⅛	5⅛	
9⅝	5	AcmeE	.32	6.1	9	9	5½	5⅛	5⅛	– ⅛
32⅛	16⅞	Acuson	s		18	1526	23⅛	22	22½	– 1⅛
16⅞	14⅛	AdaEx	1.72e	12.		623	15	14⅞	14⅞	+ ⅛
15⅝	10⅛	Adobe				186	11½	11⅛	11½	+ ⅛
20⅛	16½	Adob pf	1.84	11.		4	17⅛	17	17	
11⅝	3⅝	AMD				1604	4⅝	4	4½	– ⅛
32⅞	13	AMD pf	3	19.		249	16⅛	15½	15½	
9⅛	1⅞	Advest	.16	6.4		180	2½	2⅞	2⅞	+ ⅛
62	29	AetnLf	2.76	7.4	9	2376	37⅛	36½	37⅛	+ ⅝
12½	6⅛	AflPb	.24	3.4		739	7	6⅞	7	+ ⅛
22½	10⅞	Ahmans	.88	6.4	6	3703	14	13⅝	13⅞	+ ⅛
3⅝	1⅞	Aileen			8	110	3⅛	3⅛	3⅛	
61	42⅞	AirPrd	1.44	2.8	12	856	52⅛	51⅝	51⅝	– ⅛
27	13½	AirFrt	s .30	1.8	9	229	17⅝	17⅛	17⅛	– ⅝
24½	11⅛	Airgas			16	102	13	12⅞	12⅞	

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Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
34⅞	8⅞	Quantm	.44t	3.4	11	859	13⅝	13	13	− ½
14	11⅞	QstVI	1.20a	9.7		198	12⅝	12¼	12⅜	
14⅛	10⅝	QstVC				127	11	10⅞	10⅞	+ ⅛
38¾	32⅞	Questar	1.88	5.5	14	455	37⅞	36⅞	37½	− ⅛
16½	9⅛	QkReily	.28a	2.8	8	86	10⅛	10	10⅛	
		− R − R − R −								
11	10⅛	RAC Ip	1.28	12.		64	11	10¾	10⅞	− ⅛
5⅞	2	RAC	.85e	13.	5	105	5⅛	5	5	− ⅛
21¼	17¼	RJR pf				6746	20⅝	20½	20½	− ⅛
7¾	3¼	RJR Nb wt				869	5¾	5⅝	5⅝	− ⅛
13	3¼	RMI Tl	.10	2.2		871	4⅝	4¼	4½	
17⅞	8⅜	ROC Fd	.22e	2.5		725	8⅝	8⅜	8½	+ ⅛
8⅞	6⅜	RPC			16	205	8½	8½	8½	
8¼	4⅛	RPS	.80e	17.	6	335	5⅛	4⅞	4⅞	− ¼
41¼	30	RTZ n	1.58e	5.0		1	33⅜	33⅜	33⅜	+ ⅜
87½	42⅞	Racal	.40e	1.1	28	1001	35½	34½	34½	− ⅞
108⅝	77¼	RalsPur	1.86	1.9	16	336	99⅛	98½	99	+ ½
8⅞	5⅞	RangrO	.06e	.9	16	700	6⅞	6¾	6⅞	
35½	19¾	Raycm	.32	1.6		244	20⅝	20⅜	20⅜	− ⅛
22⅞	14⅞	RJamF	.24	1.4	5	89	16⅝	16½	16⅝	+ ⅛
28½	16⅜	Rayonr	3.80	17.	6	89	21⅝	21½	21⅝	+ ¼
2⅞	1⅛	vjRayt C			2	5	1⅛	1⅛	1⅛	
71⅞	57⅝	Raythn	2.40	3.4	8	2055	70⅝	69½	70	− ⅛
27⅞	21	RdrDg	s .60	2.3	17	1202	26⅞	26	26⅛	+ ⅞
5	1¼	RdgBte				620	1⅜	1⅜	1⅜	+ ⅛
18⅛	11⅞	REIT	1.42	11.	10	28	13	12⅞	13	+ ⅛
18⅝	12⅛	RltRef	1.72	13.	8	6	13	13	13	+ ⅛
7⅜	4⅛	RecnEq				17	4½	4½	4½	− ⅛
20	8⅜	Reebok	.30	2.9	7	2133	10⅝	10⅛	10⅜	+ ⅛
11⅛	1⅞	Reece	.05j			16	2⅝	2⅝	2⅝	
½	3-16	Regal				15	13-64	13-64	13-64	− 1-64
16	8¼	ReichTg	1.62	19.	6	9	8⅝	8½	8½	
6⅛	4⅛	RelGrp	.32	6.9		16	4⅝	4½	4⅝	+ ⅛
30⅞	18½	Repsol	n.85e	3.8		1273	22¼	22⅛	22¼	+ ⅛
5	3	RepGyp	.19t	5.6		31	3⅛	3	3⅛	+ ⅛
52⅞	37¼	RepNY	1.32	2.9	5	361	45¼	44⅞	45¼	+ ⅜
7⅞	1¼	Rsene				2	1½	1½	1½	
27⅛	11½	RayRey	.84	5.5	7	270	15⅝	15	15⅛	+ ⅛
70	46½	ReyMtl	1.80	3.6	7	2850	49⅞	49⅛	49⅞	+ ⅝
67⅞	55¼	RP Rcr	n.84	1.4		1029	61⅞	61⅝	61⅞	+ ½
42	21	RhP pfG				72	24⅞	24⅝	24⅞	+ ⅛
19	3¼	RhP pfA1.88e		15.		15	10⅝	10⅝	10⅝	+ ⅛
3½	⅜	RenP wt				20	⅝	9-16	⅝	+ 5-32

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NASDAQ NATIONAL MARKET

3pm prices November 19

[illegible]

AMEX COMPOSITE PRICES

3pm prices November 19

[illegible]

AMERICA

Dow shrugs off reports of troop build-up in Kuwait

Wall Street

REPORTS OF an Iraqi troop build-up in Kuwait and higher oil prices failed to depress market sentiment yesterday morning as share prices moved broadly higher in steady trading, *writes Patrick Harverson in New York.*

At 1.30 pm the Dow Jones Industrial Average was 7.42 up at 2,557.67, but some way below its high for the morning. The Standard & Poor's 500 was 2.22 higher at 319.34 at midsession, while the counter stocks also enjoyed a good morning, with the American SE Composite index putting on 1.15 to 296.37.

December crude oil prices rose 77 cents to $30.55 a barrel on news of the reinforcement of Iraqi units in Kuwait, turning around an early fall based on reports that Iraq was willing to free all hostages if there were no hostilities for three months.

Analysts believe that the market's recent rally is now well established and do not expect any serious reverses in the short term. The resilience of share prices yesterday stemmed primarily from the news that the Federal Reserve signalled an easing of monetary policy on Friday. The Fed wants lower short-term interest rates to stimulate economic activity and cushion the impact of the recession on companies and consumers.

The market is also taking a positive line on the Gulf crisis, with sentiment boosted by the belief among some political analysts that the US government is willing to delay military action to allow more time for economic sanctions to work.

There were declines among oil and gas drilling stocks as investor concern deepened over the cost of implementing new safety requirements for North Sea oil rigs, recommended in the wake of the Piper Alpha disaster in July 1988. Rowan fell $⅝ to $11 and Global Marine dropped $⅜ to $4½ in heavy trading; both companies have substantial operations in the North Sea.

Mr James Carroll, analyst at Paine Webber, believes pessimism over the impact of new safety rules has been overdone and that oil rig operators should be able to pass on the rise in costs to the oil companies that lease the rigs. However, he noted that stories had circulated in the industry that some rigs might not win drilling approval from the authorities because of safety concerns.

US Bancorp dropped $⅞ to $18⅝ after a review of its third-quarter results revealed more loans to the troubled real estate industry than had previously been thought. The bank also reported a rise in non-performing assets.

CBS fell $2 to $161¾ after the television company forecast fourth-quarter losses and lower profits in 1991. The Federal National Mortgage Association (Fannie Mae) rose $¼ to $32½ on the announcement that because of higher house prices it will raise the limit on the size of single-family mortgages it buys or securitises.

Canada

LISTLESS TRADING left Toronto stocks mixed by midday as investors waited for trends to emerge. The composite index slipped 2.0 to 3,126.6 on volume of 9.44m shares. Advances led declines by 287 to 254.

The only factors expected to affect the market were a further fall in US interest rates or significant news from the Middle East.

Among active stocks, Canadian Pacific edged up C$⅛ to C$19, Toronto Dominion rose C$⅛ to C$17 and Canada Packers climbed C$⅛ to C$9⅞.

Moderate gains drive World Index higher

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	−0.51	−5.50	+10.28	−4.98	−10.40	+9.24
Belgium	−0.84	−0.75	−23.93	−23.71	−26.59	−10.51
Denmark	−0.35	−3.18	−9.02	−9.59	−13.53	+5.43
Finland	−0.03	+3.38	−28.24	−31.21	−35.74	−21.65
France	+1.62	−2.12	−15.97	−22.61	−26.27	−10.10
Germany	+2.87	−2.48	−4.24	−17.53	−22.18	−5.12
Ireland	−1.00	−6.91	−23.81	−28.96	−31.56	−16.59
Italy	−3.07	−8.44	−25.91	−29.14	−33.57	−19.00
Netherlands	−0.05	−3.25	−15.22	−19.40	−23.85	−7.17
Norway	−5.25	−10.19	+6.67	−4.20	−10.00	+9.73
Spain	+2.03	−0.49	−21.50	−22.02	−25.32	−8.95
Sweden	+0.83	−4.86	−15.47	−22.74	−29.10	−13.56
Switzerland	−0.51	−5.90	−18.31	−21.68	−20.38	−2.93
UK	+1.24	−1.06	−8.40	−15.96	−15.96	+2.46
EUROPE	+1.00	−2.44	−12.07	−18.93	−21.27	−4.00
Australia	+1.19	−1.35	−14.72	−16.55	−33.19	−18.54
Hong Kong	+2.36	+1.12	+3.49	+4.34	−14.31	+4.49
Japan	+0.40	−6.97	−39.43	−42.53	−47.62	−36.13
Malaysia	−0.30	+1.45	−2.04	−15.87	−30.92	−15.77
New Zealand	−0.93	−12.49	−38.59	−35.30	−45.50	−33.56
Singapore	+2.18	−1.85	−13.65	−21.40	−28.41	−12.71
Canada	+1.21	+1.10	−16.56	−17.44	−32.58	−17.80
USA	+1.20	+1.76	−7.49	−10.53	−26.63	−10.53
Mexico	+2.24	+6.59	+111.88	+85.06	+38.89	+69.34
South Africa	−2.31	+0.42	−9.65	−14.64	−26.27	−10.11
WORLD INDEX	+0.87	−2.48	−21.82	−25.70	−34.25	−19.83

† Based on November 16th 1990.

By Jacqueline Moore

MOST STOCK markets last week recouped a little of their recent losses, but they did so gingerly, with the Gulf crisis continuing to restrain investors' actions.

Moderate gains, particularly in the US, Germany, the UK and Japan, helped the FT-Actuaries World index to rise 0.87 per cent on the week in local currency terms. The two biggest movers, however, were both losers: Norway and Italy.

The Norwegian decline came in nervous trading, which dragged the market down to its year's lows. Nevertheless, of all the markets covered by the FT-A indices, Norway remains the third best performer in 1990 in local currency terms.

Ms Vanessa Kennerley-Rossi, of Swiss Bank Corporation, ascribes the decline to a severe over-reaction to local events rather than fundamentally driven selling. The resignation of the government at the end of October and the poor performance of other Scandinavian markets have tainted Oslo, she says. Recent heavy profit-taking on oil stocks throughout the continent has also hit Norway hard.

Italy has had its own troubles, with dissatisfaction over the government's capital gains tax proposals culminating in a strike, which closed the bourse from Friday. The Milanese market was languishing at its lowest level of the year before the enforced closure, with job cuts at Olivetti and worries about the car industry adding to the gloom.

Europe also contained the week's best performer, with Germany making a solid advance. Ms Kennerley-Rossi says that investors are beginning to respond to the gap between the economic strength of Germany and the slowdown in other countries, notably France. It has taken the markets some time to recognise this disparity, she says: "the enormous difference is difficult to digest".

The strength of the German economy compared with those of other countries will continue to underpin the equity market, she asserts, in spite of the difficulties associated with a strong D-Mark and world recession. Growth in pan-German gross domestic product (GDP) will be 2¾-3 per cent in 1991, compared with 1½-2 per cent in France, according to Swiss Bank estimates.

Ms Kennerley-Rossi believes that the retail sector stands to gain: "Modest upward pressure on inflation is likely to come chiefly from margin mark-ups by buoyant retailers, once the petrol/heating oil price rises are through the system — emphasising why retailers, especially Karstadt and Douglas, are recommended in spite of their high multiples."

After Germany, the best rises on the week were in the Far East. Hong Kong's Hang Seng index made a cautious recovery above the 3,000 level in moderate turnover. "Investors' interests were fuelled by anticipation of lower interest rates, but momentum was short-lived," says Hoare Govett in its weekly review of Asian stock markets.

Singapore rose in response to lower oil prices and a government prediction of GDP growth of 8.3 per cent for 1990, compared with earlier forecasts of 6-8 per cent.

EUROPE

Renewed Iraqi threat pulls shares off peaks

MIDDLE Eastern promise dropped oil prices and lifted share prices for part of yesterday, and the FT-SE Eurotrack index put on 14.66, or 1.5 per cent, to 972.67 before a renewed threat to peace took prices off the top, *writes Our Markets Staff.*

FRANKFURT had more to be pleased with than most, scoring its seventh consecutive gain. The DAX index closed 41.79, or 2.9 per cent, higher at 1,467.47, after a rise of 12.14 to 633.40 in the FAZ at midsession.

The rise was part-technical, part-fundamental. Mr Jens Wiecking, a director of Merck Finck, said from Düsseldorf that Monday had been a good day for equities in recent weeks, providing that there had been no worsening of the international situation over the weekend. On Monday, October 1, he pointed out, the DAX had risen 6.4 per cent.

On fundamentals, however, he noted that the German bond market had had a strong couple of days, with the Bundesbank's average bond yield falling by seven basis points to 9.02 per cent. That encouraged equity volume to rise from DM4.4bn to DM6.2bn.

However, after hours the oil price rose again and equities fell a little, following Iraqi sabre-rattling. "The fundamentals are still mixed," observed Mr Wiecking.

Individual talking points included a DM3.70 rise to DM199.70 in BASF, unwilling to react negatively to yesterday's 42 per cent drop in third-quarter profits; a DM25 rise to DM613.50 in Deutsche Bank, which made comforting noises about its prospects after hours; and rather less mileage for defensive stocks such as retailers and construction companies, as banks, steel companies and engineers came back to the fore.

PARIS focused on the easing of monetary policy by the US Federal Reserve and a fall in oil prices, which helped the CAC 40 index gain 21.55 or 1.3 per cent to 1,633.65. Turnover was moderate at about FFr1.8bn after Friday's more active FFr2.3bn.

Profit-taking, which pulled the index off its day's high of 1,646.62, was triggered by worries about the French government, which faced a vote of no confidence after the market closed yesterday, talk of an increase in Iraqi troops in Kuwait, and a late recovery in oil futures.

Interest rate-sensitive issues and blue chips led gains, with L'Oréal rising FFr12 to FFr505, Bouygues up FFr7.20 at FFr387, CGE gaining FFr15 to FFr554 and Carrefour FFr90 higher at FFr3,465.

Eurotunnel rebounded for a second day; the shares were up FFr1.60 at FFr34.30, with 2.7m changing hands, and the company's rights package gained 89 centimes to FFr3.50.

Trading in **MILAN** was suspended as floor traders continued a strike which began on Friday in protest at a capital gains tax applied to profits from share trading. In London, dealers said automated screen trading in Italian shares was thin. Meanwhile, Consob, the bourse regulatory authority, suspended trading in the shares of Montedison and other Ferruzzi group companies but gave no reason for the move.

Dealers said the suspension was taken as a sign that Montedison and ENI, the state holding company, had come to a mutual understanding about the future of Enimont, their joint venture. A meeting between the two camps is scheduled for today and there were strong rumours that Montedison would sell its 40 per cent stake in the chemical company back to the state.

AMSTERDAM rose in quiet trading, underpinned by lower oil prices. The CBS Tendency index rose 1.4 to 96.9.

Philips rose 10 cents to Fl 19.30 in spite of news towards the close of trading that the company expected to make a net loss in 1990 of about Fl 4bn, double its previously forecast loss of Fl 2bn.

Elsevier, the publishing company favoured by investors for its defensive qualities, gained Fl 1.20 to Fl 77 in spite of early indications that its earnings growth was slowing.

According to Mr Jeremy Goodman of Carnegie International, the London brokers, the weaker dollar could mean that Elsevier's profits would grow by only 5 to 10 per cent in 1991 after 15 per cent in 1990. "Elsevier might not be as recession-proof as expected," said Mr Goodman.

MADRID rose, encouraged by gains in international markets and the decline in US interest rates. The general index added 1.81 to 233.45.

Banco Hispano Americano rose Pta40 to Pta2,850 with 143,018 shares traded; the bank is taking a 2 per cent stake in Italy's Finanziaria di Sviluppo, which in turn is taking a 1.1 per cent holding in Hispano.

Dealers talked over very thin volume in both **ZURICH** and **STOCKHOLM**, the former rising from a base of cautious bargain-hunting in insurance and chemicals, and the latter falling on underlying problems in the Swedish economy.

The Crédit Suisse index finished 4.4 higher at 471.6, led by Zurich Insurance, Roche and Union Bank, and the Affärsvärlden General index fell 7.3 to 859.0, although Astra, the pharmaceutical group which produced excellent results last week, went against the trend to close SKr5 higher at SKr515.

OSLO began the week with another 1990 low, as the all-share index fell 9.06 to 462.99 in moderate turnover of NKr342.2m. In the oil sector, Norsk Hydro lost NKr7 to NKr180 and Saga Petroleum free shares fell NKr4 to NKr135.

ATHENS jumped 8.3 per cent on local institutional buying, following a decline in interest rates on two and three-year bonds. The banking sector led gains with a rise of 11 per cent, but overall turnover was described as light. The general index gained 67.88 to 894.26.

ISTANBUL's index rose 103.9 or 2.8 per cent to 3,874.98 in active trading of TL98.7bn, up from TL73.5bn.

ASIA PACIFIC

Nikkei posts recovery but volume remains meagre

Tokyo

LOWER US interest rates, rising domestic bond prices and an easing of tension in the Gulf put Japanese equities back on an uptrend yesterday, but hopes of better trading volume were not realised, *writes Emiko Terazono in Tokyo.*

The Nikkei average saw its day's low of 23,176.68 in the morning, but despite profit-taking the index closed 346.53 higher at the day's high of 23,518.16. Advances led declines by 610 to 328 with 152 unchanged. The Topix index of all first section stocks rose 19.94 to 1,740.06 and, in London, the ISE/Nikkei 50 index rose 4.77 to 1,310.28.

Eight securities' houses – including three foreign groups, Barclays de Zoete Wedd, Crédit Lyonnais, and James Capel – became full members of the Tokyo Stock Exchange yesterday. There was a presumption that trading would be stimulated, but volume remained unchanged from Friday, with 300m shares changing hands.

While the market turned up for the first time in four days, underlying sentiment was still bearish. Miss Benedicte Ivey at Crédit Lyonnais said that foreign political indicators were turning positive; but more selling pressure from margin accounts is expected toward the end of the week.

Big companies rose on the higher bond prices. Nippon Steel, the most actively traded issue of the day, was up Y12 to Y412, NKK rose Y7 to Y385 and Mitsubishi Heavy Y11 to Y663.

Regional banks were strong, with Toho Bank up Y30 to Y1,300 and Yamaguchi Bank up Y70 to Y1,090, as investor interest was drawn to the sector by the merger announced by San-in Godo Bank, ranked 29th among Japan's 64 regional banks, with Fuso Bank, a small, local bank.

After the merger, the new San-in Godo Bank is expected to dominate the San-in area, in the west of Japan. San-in Godo Bank closed up Y20 at Y900.

President Saddam Hussein's announcement of a proposed release of hostages triggered active buying of Chiyoda Corp., a leading plant engineer. The stock closed at Y1,680, a gain of Y80. Previously, the market had trimmed its price because of its exposure in plant construction in the Middle East.

Itoman & Co, the trading house which is restructuring its property-related loan exposure, fell victim to pessimism after gaining Y40 on Friday. The company heightened speculation about poor first half results by delaying their release until after the market's close. The shares ended Y55 lower at Y590.

Sumitomo Bank, which will be overseeing the reform of Itoman and is its largest creditor, also weakened, ending down Y40 to Y1,660.

In Osaka, speculative stocks fell on profit-taking, but regionals were bought. Seiren rose Y90 to Y3,390, and Chugai Ro, a top industrial furnace maker, was up Y70 to Y1,190. The OSE average rose 130.67 to 26,954.64 on a volume of 59.9m shares against 39.4m on Friday.

Roundup

INTERNATIONAL and domestic considerations combined to take most Pacific Basin markets higher yesterday.

TAIWAN gained as falling oil prices and interest hopes cheered sentiment. The weighted index advanced 177.14 or 4.35 per cent to 4,250.88. Turnover rose to NT$84.54bn, the highest level since August 2, from NT$56.24bn on Saturday.

HONG KONG rose after news that a planned local cable television franchise had been scrapped. Hutchison Whampoa, regarded as the main beneficiary of the elimination of Hong Kong Cable Communications, jumped 40 cents to HK$11.80. Hutchison is set to launch an Asia-wide satellite television service based in Hong Kong. The Hang Seng index closed at 3,042.58, up 33.92, while turnover slipped to HK$806m from HK$969m.

SEOUL fell across the board in spite of intervention from insurance companies and the stock market stabilisation fund, on projections of a 20 per cent rise in local oil prices. The composite index closed at 680.04, down 11.65 or 1.7 per cent from Saturday, on moderate volume of Won157bn.

NEW ZEALAND featured a late buying spurt in selected leading stocks, which had an exaggerated impact in a thin market. The Barclays index closed 20.66 or 1.6 per cent higher at 1,287.92. Turnover eased to NZ$7.3m from Friday's NZ$8.5m.

Lion Nathan, the brewer and retailer, was again the most notable gainer in the wake of last week's better-than-expected profit report. Its shares rose 13 cents to NZ$2.78 on volume of 450,000 shares.

AUSTRALIA rose in lacklustre trading. The All Ordinaries index ended 8.1 higher at 1,348.0 while turnover slipped to A$138m from A$312m.

News Corp fell 6 cents to A$5.72 in light trading. The international media company is seeking a US$600m bridging loan to help alleviate a short-term liquidity squeeze.

MANILA finished mixed as buying by institutions was offset by selling by retail traders cashing in on gains made last week. The composite index rose 5.91 to 651.63.

Philippine National Bank rose 10 pesos to 277.50 pesos amid rumours that it would soon announce a 40 per cent stock dividend and a 20 peso cash dividend.

SINGAPORE was led higher by Malaysian plantation stocks in the wake of rising palm oil prices. The Straits Times industrial index rose 4.40 to 1,122.75. Turnover eased to S$59.85m from S$68.63m. In **KUALA LUMPUR**, the composite index rose 5.40 to 476.74.

SOUTH AFRICA

LEADING shares rallied on modest buying interest. The Johannesburg all-gold index shrugged off the effects of weaker bullion prices and gained 5 to 1,264, with Vaal Reefs up R3 at R225. The all-share index firmed 26 to 2,590.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 16 1990								THURSDAY NOVEMBER 15 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (76)	123.31	−0.2	92.99	100.86	94.27	106.33	−0.3	7.46	123.54	93.45	100.94	94.84	106.62	158.31	118.98	146.97
Austria (19)	199.04	−0.1	150.10	162.81	152.17	151.97	−0.6	1.80	199.15	150.64	162.71	152.88	152.90	285.63	178.57	144.71
Belgium (61)	138.42	+0.1	104.39	113.21	105.82	103.60	−0.2	5.60	138.26	104.58	112.95	106.13	103.82	160.02	126.67	142.66
Canada (120)	125.09	+0.2	94.33	102.31	95.62	105.39	+0.3	3.81	124.89	94.47	102.03	95.86	105.08	153.61	121.24	149.61
Denmark (33)	255.38	+0.8	192.58	208.89	195.24	195.98	+0.2	1.51	253.25	191.56	206.91	194.40	195.56	277.62	234.05	222.68
Finland (25)	104.44	−0.7	78.76	85.43	79.85	77.80	−0.7	3.92	105.18	79.56	85.94	80.74	78.37	152.29	98.91	120.60
France (122)	140.27	+1.0	105.78	114.72	107.23	109.30	+0.6	3.79	138.90	105.07	113.47	106.61	108.61	168.85	124.98	132.98
Germany (91)	117.38	+1.4	88.52	96.02	89.73	89.73	+1.0	2.53	115.78	87.58	94.60	88.87	88.87	144.63	101.38	98.73
Hong Kong (48)	122.39	+0.2	92.29	100.11	93.57	122.46	+0.3	5.40	122.09	92.35	99.75	93.72	122.15	147.49	112.24	118.62
Ireland (17)	151.43	−0.6	114.20	123.87	115.77	116.98	−1.0	4.47	152.37	115.26	124.49	116.96	118.23	198.57	139.04	157.24
Italy (91)	79.73	+0.4	60.12	65.21	60.95	66.06	+0.0	3.72	79.41	60.06	64.87	60.95	66.06	109.26	79.41	88.08
Japan (454)	126.07	−1.7	95.07	103.12	96.39	103.12	−1.8	0.83	128.27	97.02	104.80	98.48	104.80	197.26	106.58	186.00
Malaysia (35)	192.91	−0.6	145.47	157.78	147.47	200.26	−0.5	3.13	194.01	146.75	158.50	148.92	201.33	250.88	182.96	195.95
Mexico (12)	551.15	−0.1	415.64	450.82	421.36	1771.65	−0.1	0.39	551.94	417.50	450.94	423.68	1774.17	561.41	324.53	289.69
Netherland (41)	133.58	−0.2	100.74	109.27	102.13	101.15	−0.6	5.31	133.84	101.24	109.35	102.74	101.71	149.03	127.56	125.87
New Zealand (16)	47.90	−0.4	36.12	39.18	36.62	41.69	−0.5	8.06	48.12	36.40	39.31	36.94	41.89	75.36	47.90	75.49
Norway (27)	219.30	−1.0	165.38	179.38	167.66	171.38	−1.5	1.80	221.53	167.57	180.98	170.06	174.02	276.79	202.34	170.63
Singapore (25)	154.68	−0.3	116.64	126.52	118.25	121.96	−0.3	3.62	155.17	117.38	126.78	119.11	122.31	209.24	147.24	157.53
South Africa (60)	176.67	+3.6	133.23	144.51	135.06	129.80	+0.8	4.20	170.49	128.96	139.29	130.87	128.73	251.39	151.50	165.70
Spain (42)	148.48	+0.6	111.97	121.46	113.52	105.40	+0.1	5.27	147.56	111.62	120.56	113.27	105.25	182.25	128.54	151.29
Sweden (27)	166.01	−0.1	125.19	135.79	126.92	136.02	−0.4	2.99	166.15	125.68	135.75	127.55	136.64	234.93	158.07	165.00
Switzerland (68)	91.31	−0.7	68.86	74.70	69.82	70.45	−1.2	3.03	91.91	69.52	75.10	70.56	71.31	109.77	85.00	86.00
United Kingdom (298)	162.60	+0.7	122.62	132.99	124.30	122.62	+0.4	5.85	161.48	122.15	131.92	123.95	122.15	178.18	139.87	142.35
USA (533)	127.98	+0.0	96.51	104.69	97.84	127.98	+0.0	3.85	127.99	96.81	104.57	98.25	127.99	148.95	119.06	138.77
Europe (962)	136.68	+0.6	103.07	111.80	104.50	104.04	+0.3	4.45	135.81	102.73	110.96	104.25	103.76	157.65	124.91	124.55
Nordic (112)	179.19	+0.2	135.13	146.57	136.99	138.35	−0.3	2.22	178.90	135.32	146.16	137.33	138.79	223.29	172.38	165.76
Pacific Basin (654)	125.51	−1.6	94.65	102.67	95.96	103.53	−1.5	1.23	127.55	96.48	104.21	97.91	105.10	192.75	107.82	181.82
Euro−Pacific (1616)	130.41	−0.7	98.34	106.66	99.69	104.52	−0.7	2.61	131.26	99.29	107.23	100.75	105.31	174.16	116.03	158.99
North America (653)	127.71	+0.0	96.31	104.46	97.65	126.49	+0.0	3.85	127.71	96.60	104.35	98.05	126.48	148.43	119.26	139.31
Europe Ex. UK (664)	120.41	+0.8	90.81	98.51	92.06	93.01	+0.2	3.59	119.69	90.54	97.81	91.90	92.83	145.62	109.94	112.74
Pacific Ex. Japan (200)	118.27	−0.1	89.19	96.76	90.43	105.44	−0.1	6.31	118.37	89.54	96.72	90.87	105.56	146.72	116.03	131.66
World Ex. US (1808)	130.92	−0.6	98.73	107.09	100.09	105.23	−0.7	2.67	131.67	99.60	107.59	101.08	105.96	173.77	117.12	158.81
World Ex. UK (2043)	125.58	−0.5	94.70	102.73	96.02	111.26	−0.6	2.74	126.23	95.48	103.14	96.91	111.90	162.00	115.37	151.43
World Ex. So. Af. (2281)	128.58	−0.4	96.96	105.18	98.31	112.25	−0.5	3.06	129.11	97.66	105.49	99.12	112.78	161.84	118.04	150.51
World Ex. Japan (1887)	131.60	+0.9	99.24	107.65	100.62	117.30	+0.1	4.19	131.21	99.25	107.21	100.73	117.16	151.59	124.31	133.85
The World Index (2341)	128.87	−0.4	97.18	105.41	98.53	112.38	−0.5	3.07	129.36	97.85	105.69	99.31	112.80	162.05	116.33	150.60

Italy: Prices were not updated 16/11. Latest prices were unavailable for this edition.

POLAND

Austerity has been hard, but for many the worst has yet to come .....Page 2

Why ambitious Solidarity politicians must heed the pulpit's power ....Page 4

Tuesday November 20 1990

Transition to government has revealed strains within Solidarity. But fortunately, writes **Anthony Robinson**, Poles continue to support tough economic reforms, whose success is vital for the stability of the country and the security of Europe, east and west.

Walesa calls for haste

■General Wojciech Jaruzelski (*above*), who imposed martial law in 1981 but remained president long enough to oversee the demise of communist rule, bows out after presidential elections this coming Sunday. The main contenders are Mr Lech Walesa (*left*), the charismatic Solidarity union leader, and the prime minister, Mr Tadeusz Mazowiecki (*top left*).

POLAND NEVER knew real feudalism, real capitalism or real socialism, according to Mr Krzysztof Kozlowski, a journalist and editor before he became minister of the interior.

Yet this strongly Catholic and stubbornly nationalistic country has embarked on the most determined transition to full-blooded capitalism in eastern Europe. It is a paradox, which suggests that after 50 years of nazi occupation and communist domination, the independent Poland which now occupies the space between a united Germany and disintegrating Soviet empire has changed in significant ways.

Certainly, it has gone through major changes since communist power collapsed in the aftermath of the June 1989 elections. Although only semi-free, they allowed Poles to show their overwhelming support for opposition Solidarity candidates and paved the way for the formation of a Solidarity government headed by prime minister Tadeusz Mazowiecki three months later.

The assumptions upon which the "round table" negotiations which preceded those elections were based — a continuing leading role for the Communist party and opposition status for Solidarity — proved wildly wrong. Solidarity found itself in power, and the Communist party disbanded itself shortly thereafter amid a general re-writing of the political map throughout east and central Europe.

Yet 15 months after these dramatic events, 65 per cent of seats in the Sejm, the lower house of parliament, are still held by those elected on the communist slate, and the president is still General Wojciech Jaruzelski, the communist general who imposed martial law in 1981.

This is because the Solidarity group, then led by Mr Bronislaw Geremek, which sustains the government, decided to soldier on for three years, in order to push through basic economic and political reforms and implement the Balcerowicz plan for transition to a market economy drawn up by the Finance Minister.

But the unexpected transition from opposition to government has revealed political strains within Solidarity, and the economic sacrifices demanded by the Balcerowicz plan have underlined the need for a strong, popularly elected government.

This is the political background to the campaign by Mr Lech Walesa, the charismatic leader of the Solidarity trade union, for the staging of elections. Presidential elections will be held on this Sunday, November 25, to be followed by general elections in the spring.

Mr Walesa, who played a key role in creating the Mazowiecki government, is now standing against the prime minister and four other candidates in the six-way presidential election. He criticises the government for not moving fast enough with economic and other reforms, for not taking the people sufficiently into its confidence, for lack of leadership and for not cutting out the old communist *nomenklatura* élite. At the same time, he is putting himself forward as the man who Poles can rely on in the difficult times which surely lie ahead.

Many, perhaps a majority of Poles, retain affection and support for Mr Walesa, whose often shrewd judgments, earthy prose and undoubted courage have served Poland well. But it is unlikely that he will receive the overwhelming support he originally hoped for, although many share his belief that the reforms have been marking time in recent months.

Many of the intellectuals who helped create the Solidarity alliance between working class, intelligentsia and Catholic church, and gave high moral tone to Solidarity's non-violent opposition to totalitarianism, now oppose his presidential ambitions.

Mr Geremek, who recently resigned as leader of the Solidarity group in parliament, is one such opponent, alongside Mr Adam Michnik, Mr Jacek Kuron and other veterans of the worker defence movement KOR, which preceded Solidarity. They worry that Poland's fledgling democracy is still vulnerable to authoritarian temptations and, under stress, could lapse from parliamentary democracy to an authoritarian regime similar to that created by Marshall Jozef Pilsudski between the wars.

Fortunately for Poland, there seems to be a strong consensus that, whatever the result of the forthcoming elections, nothing should be done to de-rail the Balcerowicz plan drawn up by the finance minister in close co-operation with the IMF, the World Bank and a group of western and Polish economists.

Poland will probably never be as rich as Germany. But the dedicated technocrats now forcing the pace of economic change believe it is not unreasonable to aim for a standard of living equivalent to Portugal within a few years, or to emulate Spain's transition from Francoism to multi-party democracy and full EC membership within a decade. That is what many ordinary Poles also aspire to, if rising support for the Balcerowicz plan in recent opinion polls is any guide.

The aim of the Balcerowicz plan is to develop Poland into a modern European country, introducing methods and laws modelled on EC practice, in a way which would satisfy both Poland's own European aspirations and encourage Soviet modernisers facing an infinitely more difficult task in their own country. The finance minister, and other senior officials and economists, believe, however, that a substantial reduction of Poland's $46bn hard currency debt will be essential if this is to be fully achieved.

Meanwhile, bitter experience has shown Poles the importance of good relations with both their powerful neighbours. To the west, it now has a common border with Germany, powerhouse of the wider European Community. Easy access to community markets for cheap Polish products is another important requirement.

To the east, instead of the former monolithic Soviet Union, lie the Baltic states, Belorussia and Ukraine, striving for political independence but facing severe economic disruption. If Poland succeeds economically it could encourage peaceful reform further east, but could also find itself a magnet for hungry, unemployed refugees heading west.

Thus far, most Poles have suffered a sharp reduction in their already low real incomes with remarkable stoicism. A key factor has been the satisfaction of throwing off what most Poles regarded as an alien system. But restoration of internal convertibility to the once-despised zloty, an explosion of mainly small-scale private entrepreneurial activity, together with the opening up of foreign trade, the end of subsidies and a good harvest, have all combined to put an astonishing variety of fresh food and other consumer goods into the rapidly privatising shops and impromptu markets which have sprung up like mushrooms.

A combination of controlled wages and high initial inflation have hit hardest at the industrial working class in the state owned mines and heavy industries. Theoretically, they were the labour aristocracy of the old regime. Now the future seems to lie with the the aspiring middle class which will be created once privatisation, western-style property and ownership laws, and other fundamental reforms come into effect.

Meanwhile, inflation has left most Poles poorer, and depleted private savings, along with the threatening monetary overhang. Unemployment is expected to rise next year to 2m, although overall production is expected to rise 5 per cent after this year's 25 per cent drop in output by the socialised sector.

There are several other clouds on the horizon. The conversion of intra-Comecon trade from a soft rouble to a hard-dollar basis from January 1 next year, coupled with the rise in energy prices induced by the Gulf crisis, could cost Poland over $5bn through loss of markets, higher prices and physical cutbacks in oil and gas supplies.

Despite the difficulties, Poland is committed to creating a modern European state within a decade. Given its key position between east and west, the outcome could be crucial to the stability of Europe as a whole.

IN THIS SURVEY

Privatisation is proving to be more complex than expected

Editorial production: Martin Davies

KEY FACTS

Area .... 312,683 sq km
Population .... 37.8 million (1989 estimate)
Head of State .... President Wojciech Jaruzelski
.... (Presidential elections on Nov 25)
Currency .... Zloty
Official Exchange Rate .... 1989 (average) \$1 = 1,439 zlotys
.... From Jan 1990 \$1 = 9,500 zlotys

ECONOMY	1989	Latest
Total GDP (\$bn)	207.0	n.a.
GDP per capita (\$)	5,468	n.a.
Trade (convertible currencies)..		
Current account balance (\$bn)..	-1.6	n.a.
Exports (\$bn)	8.3	7.6 *
Imports (\$bn)	8.4	4.2 *
Trade Balance (\$bn)	-0.1	-3.4 *
Export growth (%) •	7.4	24.6 *
Import growth (%) •	22.3	-24.3 *
Trade with Comecon area		
Export growth (%) •	-20.6	-8.5 *
Import growth (%) •	-26.1	-30.0 *
External debt (\$bn,end period)..	40.0	44.0 Sep
Consumer prices (% pa)	244.5	
Month on month % changes in 1990		79.6 Jan 4.0 Oct
Real wages (% change)	+13.4	-36.4 **
Real money income (% change)	-31.7	-31.0 **
Industrial prod. (% change)	-2.9	-35.5 **
Unemployment (000s)	9.7Dec	568.2 Jun
Reserves minus gold (\$bn)	2.3	4.3 Jul
Narrow money growth (% pa)...	231.5	n.a.
Discount Rate (% end period)...	140.0	43.0 Oct

Main trading partners % share in 1989	EXPORTS	IMPORTS
USSR	21.0	18.2
West Germany	14.8	15.8.
EC	32.2	33.8

* = Jan-Sep 1990 only
** = Jan-Sep 1990 figures,at annual rates
• = Percentage change over same period, previous year

Sources: IMF and national government sources

The economy: reading the balance sheet after a year of shock treatment, **Anthony Robinson** finds...

A nation of small traders, exporters and stoics

POLAND, characteristically, has taken a cavalry-charge approach to the transformation of its bankrupt command economy. The logic behind the full-frontal assault, in a favourite expression of finance minister Leszek Balcerowicz, is that "you don't cross a chasm in little hops".

But there is nothing remotely romantic or impetuous about the cold-blooded, systematic way Poland's first non-communist post-war government has slashed living standards and slaughtered sacred cows, in its bid to restore credibility to the zloty and create the legal and institutional framework for a resurgence of private-enterprise capitalism.

The boldest single stroke was to make the zloty convertible internally, by the simple method of fixing its official exchange rate, from January 1, at the approximate level then ruling on the black market – around 9,500 zlotys to the dollar.

That 58 per cent devaluation created a deliberately undervalued currency, which was a key feature of the first, or stabilisation, stage of the so-called Balcerowicz plan, named after the finance minister and put together by Polish and American economists in close co-operation with the IMF.

This aimed at stabilising the currency after months of hyperinflation, inherited from the chaotic and contradictory "liberalisation" policies of the previous communist government under prime minister Mieczyslav Rakowski.

Subsidies were eliminated or slashed, to reduce the budget deficit, and most prices were freed. Wage rises were strictly controlled by punitive taxes on any increases above stipulated rates set well below the rate of inflation. In other words, inflation was deliberately used to eliminate the huge monetary overhang inherited from the previous two years of rapid wage inflation and falling productivity.

Another key element in the plan was the suspension of external tariffs, to expose the highly monopolised internal economy to foreign competition.

Less spectacular, but in the long run crucial, are preparations, now advanced, for large-scale privatisation and legislation to give Poland the basic institutions of a functioning capitalist economy.

With entry to the European Community by the end of the century a key goal, the new systems are closely modelled on EC legislation and rely heavily on expert advice from EC governments and companies.

By next year, Poland should have an independent central bank, an expanding network of commercial banks, the beginnings of a money market, a stock exchange modelled closely on the Lyons bourse, a set of internationally compatible accountancy rules, and new insurance companies. In short, the vital inter-connecting tissue of services and laws needed for a modern market economy should be in place.

So, after almost a year of shock treatment on an unprecedented scale, what is the preliminary balance sheet?

In the first place, it must be said that Poland has moved faster and farther than any of the other former Soviet-bloc countries beyond the rhetoric of economic reform. The gap should widen next year, as new laws and institutions come into effect. Poles have become poorer, unemployment is rising and production in the state sector has plummetted. At the same time, at street level, Poland has spontaneously become a nation of small traders, wheelers and dealers.

On the inflation front, prices initially rose higher than expected, which made the income squeeze even more severe than planned. But price rises, on a monthly basis, were heavily concentrated in the first two months, and dropped from 78 per cent in January to a low point of 1.8 per cent in August, before rising again to around 4 per cent in October.

Reduced, but not eliminated, inflation could take off again in the new year, spurred by rising real higher wages from the third quarter of 1991, the knock-on effects of the Gulf crisis, and the dollarisation of the Comecon payments system from January 1.

Both mean sharply higher imported energy prices, complicated by expected physical shortages of Soviet energy imports and the need to buy oil from western oil companies rather than through the existing Soviet pipeline network. Mr Balcerowicz fears that disruption of Comecon trade, including loss of the east German market, and higher oil prices could cost Poland over \$5bn next year.

Terry Kirk

Leszek Balcerowicz: devaluation was an important first step in the plan that bears his name

Meanwhile, the key zloty-dollar exchange rate has been stable for 10 months, without recourse to the \$1bn stabilisation fund set up at the start of the year. The once-despised Polish currency is now convertible internally, and its stability in the face of a 172 per cent rise in internal prices effectively masks a substantial revaluation since January.

Ministers, senior officials and central bankers make quite clear that the zloty will be kept competitive, if necessary by re-adjusting the rate in terms of the Ecu or a basket of currencies at the appropriate time next year.

Faced with a collapse in domestic demand, and stimulated by a highly competitive currency, hard-currency exports soared 24.6 per cent over the first nine months to \$7.6bn while imports fell 24.3 per cent to \$4.2 bn. This led to a sixfold rise in the hard-currency trade surplus, to \$3.4 bn. At the same time, a cut-back in exports and a 40 per cent drop in imports from Comecon countries, mainly due to lower Soviet oil deliveries, led to a 3.2bn-rouble surplus on soft-currency trade as well.

Inflation

% change (month on month)

The unexpected alacrity with which Poles took to export markets, the apparent stoicism with which they accepted lower real incomes, a 15 per cent cut in gross national product and steeply rising unemployment, coupled with the rapid growth of private trading and small-business formation, are among the most remarkable developments of an economically traumatic year.

The compression of domestic demand has been brutal. According to official statistics, personal consumption dropped 33 per cent over the first nine months and gross investment by 13 per cent. The output of state industry dropped 23 per cent and that of the construction industry by 17 per cent. In partial compensation, the private sector boosted its share of GDP by 35 per cent, from an admittedly low base.

Most state industries, used to monopoly production and centrally-planned distribution, reacted initially to the shock treatment by raising prices, cutting output and mobilising hidden reserves. Fearing unemployment, millions of workers accepted wage increases even lower than the permissible levels, in order to retain their jobs.

For many workers and enterprises, the worst is still to come. Next year could be very tough, against a background of growing political strain. Most enterprises, still run by communist-appointed "nomenklatura" managers, have managed to by-pass high real interest rates by re-paying bank debt and extending unofficial inter-enterprise credits to each other. As a result, the expected wave of bankruptcies has not yet happened, although company liquidations have been rising steadily. Unemployment, which climbed from virtually zero to over a million by end-October, is expected to hit the 2m mark next year.

Polish hourly wage costs, translated at current exchange rates, are now calculated to be 30 times lower than west German rates and five times higher than labour costs in former East Germany. They will have to stay low until the hoped-for efficiency-gains, from reform and foreign investment, start to show through in higher productivity. But keeping real wages low during the vital period of capital accumulation and new company formation is sure to erode the political consensus behind reform, as income differentials and the gaps between social classes widen.

Other question-marks over the future of Poland's brave dash for the market include the degree of access granted to the European Community markets for agricultural, as well as industrial products, and the vexed question of debt relief.

Thanks to the moratorium on interest and principle payments until March next year, total hard-currency debt, including capitalised interest, will rise to \$46bn by the end of the year. Mr Balcerowicz and others argue that, while the debt hangs over the economy, new foreign investment will be inhibited, and that it will be impossible to find resources to modernise the infrastructure and tackle the environmental disaster areas.

The men now pushing single-mindedly towards a European-style political and economic structure argue that the west owes Poland something for its key role in ending communist domination over eastern Europe and the end of the cold war, which cost western defence ministries over \$600bn a year.

If brave words of encouragement from the west are not matched by open markets, investment and debt relief, they argue, Poland could face a populist reaction to the rigours of the market economy, whose reverberations would stretch way beyond Poland to the Urals and beyond.

Poles are rallying round the Balcerowicz Plan

Life is still tough but optimism is rising

LESZEK Balcerowicz, Poland's 43-year-old minister of finance and deputy prime minister, has pulled off an extraordinary coup. His popularity has risen steadily, despite the fact that most Poles have suffered an unprecedented *peacetime fall* in their standard of living under the economic reform plan which bears his name.

The latest poll, by the Centre for Public Opinion Research, shows that approval of his plan rose to 35 per cent in September from 26 per cent in July.

At the same time, 54 per cent of those polled said "yes" to the specific question of whether his activity was "good for the country and in the best national interest". Over 70 per cent agreed with privatisation, a main plank in his programme; and nearly 37 per cent said they would like his personal role in politics to be greater.

This is an extraordinary testimony to the change in political attitudes *in a country* which, at least four times since the war, has reacted to higher meat and food prices by taking to the streets in anti-government riots.

Furthermore, increasing numbers of Poles appear to be identifying with his programme, despite the growing political tension around the government which sustains it. Critics, like Mr Lech Walesa, do not emphasise the hardships caused by the Balcerowicz plan, but complain rather that the pace of implementation by prime minister Tadeusz Mazowiecki's government is not fast enough.

If Mr Walesa wins the presidential elections on Sunday, he will probably ask Mr Balcerowicz to be his prime minister. But no matter who wins, the partially US-trained former *economics professor* is almost certain to remain in charge of the economy. He evades questions about his political prospects with the observation that "the important thing is that the plan goes forward".

It is the identification of the man with the plan rather than the government, and his image as a personally modest, but totally dedicated, and above all competent, economic reformer which seems to impress both Poles and those of the *international* financial community who beat a path to his spacious office in the finance ministry.

The list includes prominent Soviet economists, grappling with their *own 500-day* crash-programme, still mired in the realm of rhetoric.

After 50 years of Nazi occupation and Soviet-imposed communism, Poles are determined to become rich, and are prepared to make sacrifices, so long as they believe that they will bear fruit before too long.

In polls, and casual conversation, Poles often say that life, *while tough, is getting better.* Inflation, although still too high and rising again, is not at last year's dispiriting hyper-inflationary levels. The zloty is stable and convertible. Above all, the shops are full. Food and goods are expensive, but *customers no longer have to* queue for hours, and the choice is much wider than before. There is also the satisfaction of knowing that Poland is actually getting on with real changes.

The author of the plan looks and sounds confident of an eventually successful outcome. "Talk of recession refers to the state sector only. The private sector, taken as a whole, is growing, and in agriculture we had a record grain harvest. Value added by the private sector is 35 per cent higher than a year ago," Mr Balcerowicz said *in an interview.*

He sees the main problems ahead as higher oil prices and the pending upheaval in Comecon trade with the *shift* to dollar trading on January 1. Rising real wages and bank credits are also a worry.

But, having destroyed a large part of domestic savings in the process of eliminating last year's threatening monetary overhang, the pressing need, he says, is for continuing tight fiscal and monetary policy and domestic and foreign investment to sustain growth. Finance is needed to give substance to privatisation and the creation of banks, a stock exchange and capital markets.

For the international financial community, the main message from Mr Balcerowicz is a familiar one: Poland must have debt-relief on a large scale in order to become a prosperous future partner.

Earlier this year, Poland proposed to its government creditors in the Paris Club an agreement to re-pay debt at 17 cents to the dollar. It was refused. Now the minister detects "more understanding" for the Polish position, but the debt question remains a "serious stumbling block, which is intimately related to the scale of *future foreign investment.*"

Anthony Robinson

Debt: despite a probable surplus, there is...

A case for forbearance

POLAND IS a classic case of the pitfalls of rescheduling – and the folly of lending to unreconstructed communist regimes.

In the 1970s, western banks, but above all government-backed credit institutions, lent heavily to the communist government led by Mr Edward Gierek, who came to power after the brutal suppression of the 1970 food riots.

Instead of reforming agriculture, the Gierek regime used US and other credits to import grain. *Instead of reforming the* Stalinist command system, it took advantage of the willingness of western governments to provide export credit guarantees for the sale of technically *obsolescent chemical* plants, car, tractor and other factories.

Initially, these gave a spurious modernity to the economy. Some of the funds were even hived *off to* finance joint energy projects in the Soviet Union and a fat living for fortunate *aparatchiks* of the *nomenklatura.*

By the time the bubble burst in 1980, Poland was left with total debt of around \$20bn. Despite the virtual cut-off in new credits during the martial-law period, this is expected to have grown remorsely to \$46bn by the end of this year – a grim monument to the accumulated weight of capitalised interest.

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In February, the Paris club of creditor governments, holding *two thirds of the debt, agreed* to postpone all interest and principal payments until end-March 1991. Bank creditors, who originally asked Poland to pay 15 per cent of the interest due on the then \$9.1bn of medium term debt, subsequently, and reluctantly, fell into line.

Short term, this took pressure off Poland this year – at a cost of raising total debt from around \$40bn to \$46bn, including some new credits from the World Bank and other sources. Now, with Poland expecting a \$3bn hard-currency trade surplus this year, some creditors are pressing for resumption of payments.

Mr Balcerowicz fiercely opposes the idea, because he believes "it would place a political mine under the reform programme" if the sacrifices made were to be used to pay off debt.

Other ministers and senior officials put the question even *more forcibly.* They argue that it is largely thanks to Poland that the cold war has come to an end – permitting western governments, Poland's biggest creditors, to cut back their *\$600bn-a-year defence budgets.*

Some of that peace dividend, they argue, should accrue to Poland in relief of debts which helped to keep the former communist regime in power, and are now the biggest obstacle to creation of a flourishing democracy.

AR

Privatisation: many want to hurry it, but the task is proving complex, says **Anthony Robinson**

Foreign equity investment is seen as vital

PRIVATISING the Polish economy is proving more difficult than was at first imagined.

There can be no questioning the government's determination to transform more than 7,000 state-owned enterprises into private companies as soon as possible. But just coping with privatisation of the first seven "jewels in the crown" is taxing the skills and ingenuity of a bevy of western accountants, lawyers and bankers, as well as their fledgling Polish counterparts.

What the exercise has revealed so far is the extraordinary primitiveness of the financial sector in Stalinist central planning. This was always known in theory. But actually trying to privatise state-owned companies in the absence of a functioning banking system, extreme vagueness over the real ownership and legal status of assets, no stock exchange, no brokers, no prospectus or security printers – or even an efficient telephone system – has proved "interesting".

One London merchant banker – part of a large group of City financial experts, partially financed by the British government's "know-how fund" *to assist with privatisation* – even went so far as to add "character-building".

The complexity of the task is more evident to those involved than the wider public, or to key political figures like Mr Lech Walesa, who is demanding "acceleration" of the sell-off of state assets to Poland's aspiring entrepreneurs.

The government, facing presidential elections on Sunday and general elections in the spring, is sensitive to criticism of foot-dragging. It has been urging all concerned to complete preparations for the five most advanced privatisation schemes, including the Krosno glass works and the Tonsil electronics company, before the presidential elections.

But Mr Waldemar Kuczyinski, the minister in charge of privatisation, insists on the need to build a secure base, on which to construct "an assembly line" for privatisation on an unprecedented and accelerating scale in future.

Thus privatisation is going hand in hand with preparations to set up a stock exchange, modelled on the Lyons bourse and a watchdog commission, based on the US Securities and Exchange Commission; as well as unit trusts, insurance companies and other investment institutions, closely modelled on existing European Community legislation.

Mr Leszek Balcerowicz, the finance minister, is anxious to dispel the idea that foreigners will be limited to buying 10 per cent of privatised companies. Foreign equity investment is viewed as vital if Poland is to update its management skills as well as its technology. Foreigners are obliged to get formal authorisation before taking a stake greater than 10 per cent, though that is not meant as a barrier but a way of keeping track.

The most sensitive political question is how former state assets will be sold or distributed to ordinary Poles who, up to now, have been, in theory at least, their collective owners.

There is much concern that members of the now disgraced *nomenklatura*, the former communist élite, are working their connections to use state assets for their own private profit. At the other end of the spectrum are those who demand workers' control, or at least large-scale free distribution of shares to workers.

Presidential candidate Lech Walesa suggested that all Poles, whose savings have been virtually wiped out by recent hyperinflation, should be given vouchers worth 100m zlotys (£5,400), which would be convertible into shares innewly privatised companies.

Ministers believe some form of bearer voucher system will eventually be worked out. But, given the run-down nature and obsolescence of so many of the assets to be privatised, they caution that the 100m-zlotys figure mentioned by Mr Walesa should be regarded as "metaphorical". A more realistic starting point would be around 1m zlotys, according to one senior adviser.

Re-distributing Poland's limited existing wealth through such vouchers is mainly seen as a means of privatising fast, and with some degree of rough justice. Meanwhile, a major educational task lies ahead in persuading potential investors that, in the long run, redistribution is less important than creation of a mechanism for future capital accumulation and growth.

Next year's target is to privatise a further 200 enterprises, although many close to the action believe it would be an extraordinary achievement to complete half that. But the foreign and Polish experts currently trying to create a level playing-field, with clear laws and functioning financial and marketing institutions, believe it is very important to set a precedent by privatising the first companies in a rigorous, well-documented way.

Meanwhile, the most dynamic part of the economy is that populated by small entrepreneurs, who have grown up like mushrooms over the last 18 months, some by leasing former state-owned shops, but most by starting from scratch. The key longer-term aim is to set up the institutions and laws to ensure growth from today's modest beginnings to tomorrow's new medium and large private companies.

SEE ALSO:
Retailing and privatisation .... page 9
Two candidates for privatisation .... page 10

Buoyancy in the private sector

THE EFFECTS of Poland's recession are being blunted by private business results that are showing growth mainly in the retail trade sector.

But even if state-owned industrial production is predicted to fall this year by 25 per cent, private industrial sector output will have risen by 8 per cent.

There have been major shifts in employment, with the state sector shedding 910,000 employees over the first nine months of the year; while employment in the private sector, apart from farming, has grown by 360,000.

Under the Communists, the private sector was mainly small units employing maybe two or three people offering simple goods and services.

This year the explosion has come in retail trading, which by mid-September had brought the number of small private businesses up to 926,000, from around 820,000 at the end of 1989.

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Thus, within nine months of the year, some 162,000 people have registered as opening as private retailers.

At the same time 22,000 closed and another 16,000 suspended activities.

However, high costs of credit, mounting taxes and growing rents have hit the more traditional private-service and production sectors.

In the first nine months 45,000 shops offering services such as shoe repairs, hairdressing and car repairs opened, but 26,000 closed and 31,000 suspended activities, presumably to move into the black economy or to await the end of the recession.

Similarly, more small private producers have closed and suspended activities than have opened.

Overall this year, 100,000 small private businesses have so far closed; 92,000 have decided to wait for better times; and 279,000, mainly traders, have opened.

Christopher Bobinski

POLITICS

A stable democracy will not come easily

POLAND'S FIRST presidential election has dominated the political scene in recent weeks. Day after day, the six presidential hopefuls have invoked national symbols, trotted out the family and sought to kindle support from the 27m electorate through pale imitations of slick US television campaigning.

Their lacklustre performance derives partly from a lack of experience. But it also represents an attempt to maintain an idealised model of political culture, which would forbid, for example, solely destructive forays against other candidates, and which seeks to minimise the divisive effects of the campaign for the future.

That said, the display underscores the fact that Poles have scant experience of democracy as a tool for arranging social preferences. It is a reminder, together with the re-emergence of anti-Semitic undertones, that the establishment of a stable parliamentary order will not be easy.

Mr Bronislaw Geremek, once a top Solidarity adviser and now a declared opponent of Mr Lech Walesa's bid for the presidency, warns of the "authoritarian temptation" that Polish society is exposed to as a result of its post-war experiences.

Mr Geremek, now a supporter of Mr Tadeusz Mazowiecki, the prime minister and Mr Walesa's main challenger, had originally hoped the anti-communist consensus, which had buoyed Solidarity in the 1980s, would outlast the *ancien régime* by three years or so.

Accordingly, last autumn he sought to establish a Gaullist-type political movement, based on a Walesa-led Solidarity, to act as a stabiliser during the painful economic and political changes which the country is fated to undergo.

It was not to be. For one thing, Mr Walesa likes to be able to play his lieutenants off against each other, thus retaining a dominant role. He divined that such a party threatened to reduce him to ceremonial status, leaving real power in the hands of his prominent supporters.

Other loyal Walesa aides – like Lech Kaczynski, the *de facto* Solidarity union head, and his twin brother Jaroslaw, editor of the movement's weekly paper – also argued, with some justice, that this model threatened the country with a ruling monopoly just as long-lasting as communism.

The result was a split in the political wing of Solidarity. Some went into the pro-Walesa Centre Alliance.

Others, like veteran dissidents Mr Adam Michnik and Mr Jacek Kuron, now the Labour minister, founded a group known by the acronym Road, which supports Mr Mazowiecki.

Whoever becomes president, the parliamentary elections next spring will see the end of Solidarity's dominance

Ideologically to the right of the German Social Democrats, Road takes an evolutionary approach to change, on grounds that any revolutionary break with the totalitarian past could hasten an authoritarian future.

The Centre Alliance, on the other hand, is behind Walesa and his campaign message that change has been too slow in privatisation, in removing the communist *nomenklatura* and in foreign policy.

Both leaders are still heavily identified with Solidarity, and their differences are seen by many Poles as an obscure, if raucous, family row.

Indeed, the way the two men are viewed – one the worker, the other the intellectual – may decide the issue. Mr Walesa has the votes of those in the provinces who resent the predominance of Warsaw and its elites who are perceived to be symbolised by Mr Mazowiecki.

Many could abstain, as did 40 per cent in the June 1989 elections which swept the communists from power. This time the abstainers will be those bewildered by the threat of unemployment and the lack of a sure promise of a better future so clearly articulated by Solidarity when it was in opposition.

Rural discontent will favour the PSL farmers' party candidate Mr Roman Bartoszcze, and there should be a constituency for Mr Wlodzimierz Cimoszewicz, of the post-communist SDRP, which potentially has the million votes of former party members. The other two candidates are Mr Stan Tyminski, a Polish-Canadian businessman, and Mr Leszek Moczulski, a veteran nationalist politician.

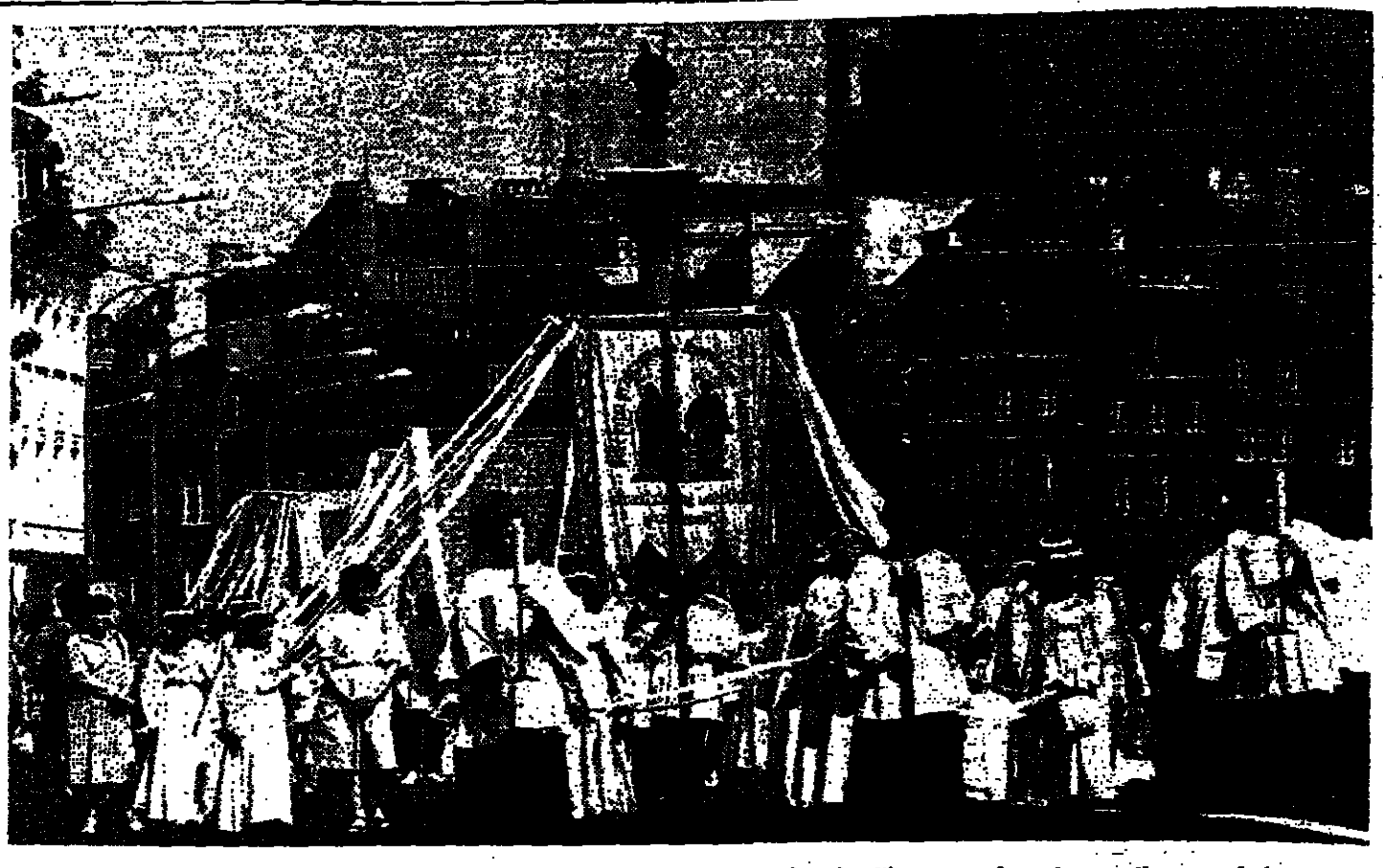
Whoever is elected, and Mr Walesa continues to be the favourite, parliamentary elections are to follow in the spring on a proportional representation basis. This will provide an opportunity for the country's fledgling, mostly right-wing, political parties of christian-democrat, nationalist and free-market hue, to shine. But it will also help the survival of the former communists, who faced elimination under a first-past-the-post system.

The Solidarity trade union, now down to 2.3m members, from 10m a decade ago, will also be represented in parliament; but this will leave it in a weaker position to challenge future tough economic policies, or indeed Mr Walesa himself.

How much formal power the president will have remains to be seen. The constitution has to be rewritten, probably by the next parliament. In any case, before strong coalitions begin to form, both Sejm and Senate, the lower and upper chambers, will be full of weak and divided small parties. Thus, at the start, the president will have a strong position however much power the constitution gives him in the end.

In any event, the parliamentary elections will see the end of Solidarity's dominance over the political scene. Continuing economic difficulties will erode the movement's position, and Mr Walesa has already said he will step down as leader of the the trade-union wing, whether or not he is elected president.

Christopher Bobinski



Ascension Day in Warsaw: Poland's Catholic church has emerged from its brush with communism stronger than ever before

The church continues to be an object of almost universal trust

Ambitious politicians must heed the pulpit's power

POLAND'S CATHOLIC church will look back on its brush with communism with mixed feelings. After all, it has emerged from the experience stronger than ever before.

One of its own – Karol Wojtyla, from Crakow – is for the first time in the country's history occupying the papal throne in Rome. It also has a powerful army of men and women, buildings and assets at its disposal.

In the last decade alone, the number of priests in Poland has grown from 20,676, in 1981, to 24,678 in 1989 – many more than the 16,115 priests and monks in, say, 1937.

What is more, the great part of the present ruling establishment is beholden to the church for the help it gave them, especially after martial law when Solidarity kept going largely thanks to the bishops and the parish clergy.

The church and its leader, Cardinal Jozef Glemp, who is politically in tune with the nationalist right, also continues to ride high in the opinion polls as an object of almost universal trust on the part of the population. Its approval rating last month was 73 per cent, compared with say a 52 per cent approval rating for the Solidarity trade union; but the church had slipped from almost 90 per cent in November last year.

Indeed, ambitious Solidarity politicians steer clear of making statements which could incur the wrath of local bishops, knowing full well that the Sunday pulpits, which were used to such effect against the communists, could just as effectively be used against any of their errant successors.

So far, the church hasn't used that power to intervene in the presidential debate. That neutrality would favour Mr Tadeusz Mazowiecki, the present prime minister, from whom the church can expect loyalty and few surprises, in contrast to Mr Lech Walesa, whom people might have expected the church would back.

Such influence has distorted the debate in parliament on issues like abortion, where, despite the church's pro-life stance, opinion in the country is split down the middle on whether Poland's liberal laws introduced in 1956 should be repealed. But a mere 17 senators in the 100-seat upper house voted against the proposed ban on abortion when it came up for debate. And the Sejm, the lower chamber, chose recently to postpone a debate, hoping thus to leave this thorny question to the next parliament.

Already divorce is being made more difficult, by having all cases moved from the jurisdiction of regional to county courts, for one thing making those concerned travel greater distances.

The Church has, however, held its fire on the growing number of sex shops and sexually-explicit magazines, both heterosexual and homosexual, which have taken advantage of the removal of censorship. But in the summer it did insist on having religious instruction reintroduced into state schools, a wish that Mr Tadeusz Mazowiecki was unwilling or unable to resist, despite a still unrepealed constitutional separation of the church from state.

To the surprise of many, the move proved controversial, with quite a number of parents unhappy that their children would no longer be taught on church premises but in school. For the case showed that, under the communists, people had been more or less able to take or leave the Church, and the great majority had chosen to take it.

The Church has held its fire on the growing number of sex shops and explicit magazines. But it has insisted on religious instruction being reintroduced into state schools

But here, quite suddenly, that choice had been taken away, especially as the reintroduction of religion had been preceded by little or no public debate, and after the Education Ministry had clearly signalled it was opposed to the idea.

The incident, however, did throw up a new society, several hundred strong, called Neutrum, devoted to trying to get religion removed from schools but more widely attempting to ensure that the separation of the state and the church is respected.

It hasn't had an easy life, with even newspapers like the Gazeta Wyborcza, the voice of the more secular tendency in Solidarity, showing a marked reluctance to report its doings, and the Warsaw daily Zycie Warszawy taking three days to decide whether or not to print an advertisement asking for support.

The church is influential in other ways. It is able, through its contacts with Solidarity local committees, be it on the trade-union side or the political arm, the civic committees, to influence local-government appointments, and even in places like Silesia, the mining district, in industry. Recently there was a revolt at the local radio and television station, in Szczecin, against the manager Mr Przemyslaw Fenrych, appointed after Solidarity came to power. He defended himself against staff complaints by pointing out that his appointment had been consulted both with local Solidarity headquarters and the bishop.

Christopher Bobinski

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BANK POLSKA KASA OPIEKI S.A. ● Head Office
7/9 Traugutta Str., 00-950 Warsaw, Poland ● P.O. Box 1008 ● Cable: bankpekao ● Tlx 813 441 bpekao pl ● Phone (48 22) 26 92 11
BANK POLSKA KASA OPIEKI S.A. ● Branch Office
23 Rue Taitbout, 75009 Paris, France ● Tlx 660 827 Polbank Paris (credits), 650 636 Polforx Paris (change) ● Phone 424 712 72
BANK POLSKA KASA OPIEKI S.A. ● Branch Office
95 Allenby Road, Tel-Aviv, Israel ● P.O. Box 267 ● Tlx 371 471 ● Phone 297 641

Foreign policy: one thing unites the two main rivals . . .

Membership of the EC is the long-term objective

WANING SOVIET influence in Poland has left the country searching not so much for a new role but, as ever, for reliable allies.

In the past, Poland's role has always been determined by its two powerful neighbours, Russia and Germany. And the question has always been how to retain a decent measure of independence in the face of the threat they pose.

However, during the post-war years, when Poland was subsumed within the Soviet bloc, that historical equation was supplemented by an ever more united western Europe, with Germany, now itself reunified, a committed member of the EC.

Furthermore, one thing unites the main Walesa and Mazowiecki camps in the foreign-policy debate which has blown up as part of the current presidential campaign. Both see Brussels and EC membership as Poland's prime long-term aim.The question is how to get there.

For Mr Mazowiecki, the prime minister, and his donnish foreign minister, Mr Krzysztof Skubiszewski, a major concern of the past 12 months has been to secure German recognition of Poland's western frontier.

Their efforts to get the Germans to sign a frontier treaty have opened the present government to the charge by critics – like Mr Wojciech Lamentowicz, from the senate's foreign policy centre – that its policies have been characterised by an atmosphere of "ill disguised mistrust".

This, Mr Lamentowicz says, echoing others in the Walesa camp, is a mistake, as only Germany can be expected to show real interest in helping Poland to improve relations with the EC. And, given Germany's strong position in the grouping, poor relations with Berlin could block Polish access.

In a sense, Poland's natural partners, for the present at least, should be Czechoslovakia and Hungary. All three countries have a common post-war experience and similar economic problems

To Mr Skubiszewski – an academic specialising in international law and a visiting fellow at All Souls College, Oxford, in the early 1970s – good relations with Germany are important but not all-important. "That threatens Poland with becoming a satellite once again," he has said.

For Mr Skubiszewski, Polish entry into the EC should be accomplished with German support but with the support of the other EC members as well.

There is also criticism of the government's policy towards the Soviet Union. Here, the Walesa camp argues that Mr Mazowiecki has taken too long to recognise growing republican aspirations and establish contact with the new political élites emerging both in Moscow and throughout the country.Walesa's men have also criticised the government for not moving fast enough on talks about removing Soviet troops from Poland and dismantling the Warsaw Pact.

Indeed, Polish policy has in the past 12 months been cautious. Mr Mazowiecki recently reminded his critics that, when he was appointed in August 1989, the late Nicolae Ceausescu, of Romania, suggested that the Warsaw Pact should invade Poland. And for months after that the extent of the Kremlin's commitment to withdrawal from central Europe had remained unclear.

"Poland is not a major power," Mr Skubiszewski says, with a twinkle in his eye, adding that his country should not be seeking to influence developments in the Soviet Union. Rather, his ministry has sought to react to events.

Thus, last month Mr Skubiszewski travelled to the Soviet Union and signed joint declarations with the leaders of the Russian and Ukrainian federations. "I couldn't do this sooner, since they hadn't proclaimed sovereignty until the summer," he exclaims, clearly stung by his critics.

During this trip, talks in Minsk, the Byelorussian capital, failed to produce agreement, as the Byelorussians sought to leave the border clauses in the joint declaration unclear, in lieu of a claim on the eastern Polish city of Bialystok, in an area inhabited by their countrymen.

The hitch has been put down by the Poles to the Minsk administration's desire to present a hard line for internal political reasons. But it points to the dangers that a fragmenting Soviet empire and the emerging local nationalisms could bring.

Before the war, for example, Polish relations with Lithuania were poor, as a result of a dispute over the city of Wilno, which passed to Lithuania as a result of the 1939 Ribbentrop-Molotov pact.

Now, the Polish minority in Lithuania is demanding greater autonomy, and relations remain uneasy. To judge by the past, there is potential, too, for conflict with the Ukraine.As for the Warsaw Pact, Mr Skubiszewski is happy to see it wither away, its structures being dismantled in agreement with the Soviet Union. And talks on the removal of Soviet troops are planned.

But the Walesa camp argues that Poland should be going further and working towards a bilateral agreement with Nato, of the kind that other no other members already have.

In a sense, Poland's natural partners, for the present at least, should be Czechoslovakia and Hungary. All three countries have a common post-war experience and similar economic problems.

But here, too, relations are vexed. For example, the Poles are unable to restore travel rights, removed in 1981 when the Husak leadership sought to isolate his people from the then Solidarity-ridden Poland. Now Prague, despite President

Relations are vexed, but behind the scenes the three countries tend to co-operate

Vaclav Havel's close links with Poland's post-dissident establishment, wants to retain the restrictions. It is afraid that the Poles will flood in and buy up their goods, which still retail at subsidised prices.

The Hungarians, too, with their traditional links with the Hapsburgs and their eyes on Brussels have little time for Warsaw. But behind the scenes – in talks on a post-Comecon future, as well as in consultations over the Warsaw Pact – the three countries tend to co-operate, showing that a community of interest could emerge.

In June, the Pope is due once again to visit his homeland. He retains overwhelming authority for the mass of Poles, and during the trip he will seek to sum up the changes his country will have undergone.

In the foreign sphere, this will also bring an opportunity for deeper reconciliation with Poland's neighbours, in both the east and the west, and including Russia. For the foreign policy of the past 12 months has been concerned to complete the business left by the pasing of the cold war, but continues to be aware of the phantoms of the past. It may be left to the Pope to open a new chapter.

Christopher Bobinski

Foreign trade

The squeeze that made them export

SUCH IS THE ideological purity of Poland's economic reformers that, even today, some are reluctant to claim full marks for the changes they have introduced.

Mr Marcin Swiecicki, the bookish ex-Communist party member who is now trade minister, is one such modest person. The sweeping reform of Poland's foreign-trade policy can only be described as "almost" a textbook example of liberalisation, he says.

Regretfully some export quotas remain in force – on 19 products, ranging from coal to meat, needed to ensure adequate supplies in the domestic market; and on three others, steel, textiles and shoes, where the outside world has imposed restrictions.

This, however, is mere quibbling about a wholesale reform of trade policy that is expected to help produce a record hard-currency surplus of some \$4bn this year. Of far greater practical concern now is the question of how these reforms will help Poland to shape up to the exceptionally difficult conditions that loom for 1991. Its traditional markets in eastern Europe are disintegrating, and it must learn to cope with a sharp increase in the price of imported oil and gas.

As traditional markets in eastern Europe disintegrate, Poland must learn to cope with a sharp increase in the price of imported oil and gas

Long forgotten are not only the old system of managed trade that characterised the communist regime, but even the piecemeal reforms that characterised its later years.

Instead, Poland now boasts an open economy that would do credit to many industrial countries. There are no import quotas; foreign exchange is freely available to importers without discrimination between the public and private sectors; and tariffs have been slashed to an average of 8 per cent, with some raw materials allowed in duty free.

The shortages of imported inputs that plagued enterprises in days of central planning have thus disappeared. With freedom to import has also come a large measure of freedom to export. Export trade has been deregulated. Enterprises can choose for themselves how much to sell abroad, who they wish to sell to, and whether to act independently or channel their business through one of the trading companies that have evolved out of the old official Foreign Trade Organisations.

Admittedly, exporters still have to cash in the hard-currency proceeds of their sales at the National Bank. They have lost the so-called retention accounts, under which they were previously allowed to keep part of this money for their own use. Yet such accounts are no longer necessary, now that the National Bank is obliged to make foreign currency freely available.

Taken together with the substantial devaluation of the zloty in January, when the rate was set at 9,600 to the dollar, these reforms produced a considerable incentive to the export sector. There have been no particular miracles, such as new products or new markets. Instead, the severe squeeze on the domestic economy forced enterprises to export more of their production in almost every traditional area. "Companies were forced to export to survive," says Mr Swiecicki.

In the first nine months of the year, hard-currency exports rose 24.6 per cent to \$7.6bn. The domestic downturn, meanwhile, produced a sharp contraction of imports, which fell by 24.3 per cent to \$4.2bn, leaving a surplus of \$3.4bn, which provides some cushion against the shocks that lie ahead.

The rise in oil prices since the Gulf crisis, the switch to hard-currency trade within Comecon from January 1 next year, and the unification of Germany – which has deprived Poland of hitherto secure markets in the former territory of the German Democratic Republic – are collectively expected to cost Poland between \$5bn and \$6bn in 1991,

Continued on facing page

Marcin Swiecicki: 'companies were forced to export to survive'

Foreign investment: despite reforms, money is not flooding in

Vague rules deter investors

ONE OF the biggest problems facing Poland, as it seeks to revitalise its economy, is the shortage of domestic savings.

On its own, the country lacks the resources needed to rebuild its seriously depleted capital stock and renew its decaying infrastructure. Since it is already heavily indebted abroad to the tune of $42bn, foreign direct investment has emerged as the only viable answer.

In theory, Poland's exceptionally low wage rates and relatively skilled workforce should make the country an attractive manufacturing base for multinational corporations. It has a domestic market of 40m people and ready trade connections with the rest of Europe. Yet, despite the draconian economic reforms introduced at the start of this year, serious money is not exactly flooding in.

Mr Hubert Janiszewski, vice-president of the Foreign Investment Agency, reckons that Poland could attract as much as $1bn this year, compared with between $900m and $400m last. But much of this money is going to form small new companies, and there have been only a handful of major investments in industry.

Polish officials and international businessmen list a number of reasons why the inflow has failed to take off. Mr Leszek Balcerowicz, the finance minister and architect of the economic reforms, believes that one problem is the uncertainty caused by the overhang of foreign debt.

Others say that a high degree of political uncertainty remains ahead of the looming presidential elections, which are to be followed next year by a general election. Still others complain about the weak infrastructure, especially in telecommunications, and say that bureaucratic red tape is much worse in Poland than in other countries such as Hungary.

At least in the foreign community, however, the most frequently cited reason is flaws in the investment regulations, such as restrictions on the remittance of profits and dividends, which still deter would-be investors.

According to Mr Ian Hume, head of the World Bank office in Warsaw, Poland needs to send out a series of "quick, decisive, very clear and very basically encouraging" signals to overcome this problem. Basically, this means revising the 1989 foreign-investment law to remove the restrictions on remittances and clarifying the clause in the current privatisation law, which says that special approval is required when foreigners seek to buy more than 10 per cent of any state-owned enterprise.

According to Mr Ian Hume, head of the World Bank office in Warsaw, Poland needs to send out a series of "quick, decisive, very clear and basically encouraging" signals

The Foreign Investment Agency, which is now responsible to the Ministry of Privatisation, is in charge of mobilising foreign investment in Poland. Since the new law came into effect in 1989, it has approved some 2,200 joint ventures, including 856 last year and more than 1,300 so far in 1990. This level of approvals is much higher than previously, and the trend is upward. Yet only 1 per cent of the total involves an investment of over $3m.

Small investments can make a big difference, says Mr Janiszewski, especially when they are located in small rural communities; but the agency is also striving to attract some of the bigger names. In response to international pressure, the restrictions on the remittance of dividends are to be removed from January 1 next year. Mr Janiszewski also says that, in his view, there should be no limit on foreign investment in privatised state companies.

"We may introduce in certain strategic industries a golden share," he adds. This would allow the Polish government to retain influence, for example, in a case of where a foreigner wants to take a stake in a manufacturer of important industrial inputs which enjoys a monopoly on the domestic market. Poland might also want to retain a higher stake than normal stake in companies involved in mineral and hydrocarbon extraction, but in other cases there is no reason for limiting holdings, he says.

The prospect of further liberalisation of the foreign-investment rules has, however, reopened the debate about tax concessions for joint ventures. New joint ventures automatically receive a three-year tax holiday, which can be extended for a further three years in the case of those involved in priority sectors. Some ministers want to put an end to these holidays, but Mr Janiszewski says this would be a bad signal. "We should maintain the tax holidays, or even extend them," he says, adding that one possibility would be tofollow the Hungarian example of relating the tax holiday to the amount of investment.

Concessions such as tax holidays are important both as an instrument for directing foreign investment into priority sectors, and for helping to compete with other countries for major projects.

So far, Poland has managed to attract only a handful of major projects. These include one in shipbuilding, with Kvaerner of Norway; two in power engineering, with ABB, the Swedish-Swiss engineering group; and one with Siemens, which will manufacture digital switching systems. As the extent of the economic reforms becomes clear, interest among other companies is beginning to grow, however.

A possible boost may come from a special fund that has been mooted by the World Bank. This would provide the seed capital needed to attract foreign investment, by helping Polish companies to finance their share of a joint venture.

Floating the idea at a press conference in Warsaw last month, Mr Moeen Qureshi, senior vice-president for operations at the World Bank, said it could draw on resources provided also by other institutions, such as the European Investment Bank, European Bank for Reconstruction and Development, and even the European Community.

Poland needed "massive" new investment in its infrastructure and industrial restructuring, he said. "While initially some of it can come from official sources, in the long term, it can only come from the private sector." Seed capital of between $500m to $1bn was needed for the energy sector alone, he said.

Polish officials are in little doubt that they will need big-ticket foreign investment if they are to rehabilitate the country's industrial base and infrastructure; but they have to compete for such projects with other countries, not only in eastern Europe but also in other parts of the world.

The risk is that, in a climate of world economic slowdown, investment on the scale that Poland needs will not be forthcoming. Despite the best efforts of its reformers and outside institutions such as the World Bank, its people would then have to struggle all the harder before they could enjoy the fruits of the economic reform.

Peter Montagnon

Liberalisation transforms foreign trade

Continued from facing page

according to the World Bank. Particularly urgent are measures to maintain at least a basic flow of exports into the Soviet Union, which will help generate the money needed to meet the extra oil bill.

Poland has been seeking assurances from the Soviet authorities, both that oil and gas supplies will be maintained next year, and that it will have some outlets to the east for its exports. Once trade with the Soviet Union moves to a hard-currency basis, Polish exporters will have exactly the same worries as western companies about obtaining payment from customers who must struggle for allocations of foreign exchange from the central authorities.

"What frightens us," says Mr Andrzej Olechowski, first vice-president of the National Bank, "is that the Soviet allocation system will be so chaotic and so cumbersome that, once an importer gets through it, he will immediately turn to a German supplier."

Already, in the first nine months of this year, exports to the Soviet Union had fallen by 10.7 per cent to Roubles 4.4bn. A further sharp fall could wreak havoc with Polish industrial sectors geared up to produce low-technology industrial equipment tailored to Soviet needs. There is no market for these goods in the west. Many enterprises producing them could collapse if the market in the Soviet Union dried up.

In the long run, the Soviet Union is expected to remain an important market for Polish exporters, but the main focus for trade expansion is currently directed towards the west, particularly the European Community

Yet, in common with their counterparts in other countries, Polish officials say they have difficulty knowing who to negotiate with. "We have had several contacts but no promises," says Mr Swiecicki.

In the long run, the Soviet Union is expected to remain an important market for Polish exporters. In the short run, the situation could be alleviated somewhat by exchanging some of the country's growing food surplus for oil, but the main focus for trade expansion is currently directed towards the west, particularly the European Community.

Most quotas imposed by the EC on trade with Poland have been eliminated since the end of Communist rule. The country is also eligible for the Generalised System of Preferences (GSP) which gives its exports of a broad range of products preferential access to the EC, but a number of actual and potential problems remain.

One of these is trade relations with Germany. Poland has been seeking, so far without success, increased textile, steel and farm products from the European Community, to offset the loss of its market in East Germany. It also wants increased work permits for construction workers in Germany, so that its enterprises can contribute their low-cost labour to help in rebuilding the east German infrastructure.

On a broader level, Poland wants to cement its relationship with the EC through an Association Agreement, on which talks are due to start next year. These talks are likely to be difficult, however, because Poland wants them to cover the possibility of its eventual membership in the EC, as well as access for its farm exports to the Community and free movement of labour.

All of these are areas where Poland is likely to meet resistance from Brussels. In the meantime, the declining prospects for trade with the east mean it will have to persist in promoting its exports to western markets.

Most economists agree that the largest single factor boosting this trade so far in 1990 has been the devaluation of the zloty at the start of the year. The zloty has since been held steady against the dollar, but domestic prices have risen by 170 per cent, eroding the effect of the devaluation. At some stage, a further devaluation will be necessary if exporters are to maintain their competitiveness.

For some years to come, officials admit, the key to Poland's success on world markets will be that its labour is cheaper even than that of its eastern-bloc competitors. Its products are thus inexpensive, a selling point which, they hope, will be recognised even by their currently dwindling band of customers in the Soviet Union.

Peter Montagnon

The banking system is being decentralised and modernised, but . . .

The players lack experience

BANKING IN Poland, unlike the west, was not an especially glamorous profession in the days when the country's economy was run by central planners.

"The tradition was that, if you could not get another job, you went into banking or teaching," says Mr Krzysztof Swarc, president of the Warsaw-based Export Development Bank.

All that has changed with the economic reforms. Poland's banking system is being decentralised and modernised, and new banks are springing up all over the place as financiers vie for a slice of the action.

Yet Poland has a long way to go before it can boast a sound banking system that is fully adapted to the needs of a modern market economy. It is essential to maintain the pace of financial reform in order to underpin broader economic change. Yet the very speed with which the banking system is changing has imposed a great supervisory burden on the Polish authorities.

One danger is therefore that a financial crisis might occur early in the process, which the National Bank would be ill-equipped to prevent. The problem it faces is that many of Poland's new bankers are short of the most rudimentary experience in credit analysis and accounting. At a time of recession, when companies can, for the first time, go bankrupt, the ice on which the new bankers are skating is rather thin.

This was amply demonstrated in the summer when Mr Lech Grobelny, owner of the ironically-named Safe Savings Bank, disappeared with the 32bn (£1.7m) zlotys entrusted to him by his clients.

Despite its name, his company was not in fact a licensed bank. It had, however, been taking in deposits at mouth-watering rates from the public, on the assumption that hyper-inflation would continue. When price rises slowed sharply in the wake of the economic reforms, Mr Grobelny's luck ran out. Fortunately for the authorities, the débâcle did not lead to wholesale loss of confidence in the system, but it does help explain why they are now working flat out to make the system both safe and competitive.

What Poland needs most of all, according to Mr Moeen Qureshi, senior vice-president for operations of the World Bank, is a basic commercial banking system of the kind that will allow the newly-privatised commercial enterprises to finance their inventories and trade in a modern way. The development of even such a basic system is, however, a gargantuan task, given the primitive system inherited by the new government, which has left the Polish public largely unfamiliar with even the concept of basic checking accounts.

The core of the banking reform has been the hiving off in 1989 of nine branch offices of the National Bank of Poland as separate commercial banks. This has left the National Bank itself to function as a central bank responsible for both monetary policy and banking supervision.

The new commercial banks joined a number of other specialist institutions – such as Bank Handlowy, in trade finance; Bank PKO BP, in domestic savings; Bank PKO SA, in foreign savings; and the Food Industry Bank – to create a basic network of large institutions.

To broaden the range still further, foreign banks are being welcomed into Poland, with the first licence granted to American Express Bank this autumn. A relatively liberal policy towards the licensing of new domestic banks has also allowed a myriad of small private banks to spring up, so that there are now more than 60 banking institutions overall.

The core of reform has been the hiving off in 1989 of nine branch offices of the National Bank of Poland as separate commercial banks

According to Mr Andrzej Olechowski, deputy president of the National Bank, the growing number of private banks will help to stimulate competition. As long as they remain small, there is little systemic danger resulting from the collapse of these individual banks. Meanwhile, the National Bank is working, with the help of a range of western central banks, to establish supervisory and infrastructure arrangements that will allow the sector to flourish.

The National Bank, which has now been organised to function as an independent central bank, has thus established a system of minimum reserve requirements and a refinancing facility for the commercial banking system. Alongside the issue of short-term bills, this gives it the basic instruments for monetary and credit control.

Among the supervisory developments, a minimum capital-to-assets ratio of 8 per cent has been established for the new banks, although the hazy accounting procedures in the old banks make it hard to establish whether they are meeting this ratio. The National Bank is also working with the US Federal Reserve System to establish a payments clearing system that will help speed up the notoriously slow settlement of payments within the system.

Mr Olechowski says the inadequate infrastructure, especially in telecommunications, is one of the main difficulties facing the new system. Poland is underbanked in terms of number of branches, and premises are short. The improvisation which is apparent in the retail sector is not applicable to banks, because "you can't sell a banking product from the back of a pick-up truck," he says.

Banks lack experienced personnel, so the National Bank is setting up a banking school in Katowice with the help of a French partner. It is also working on a deposit insurance scheme.

To overcome the communications problem, it plans to establish of a dedicated microwave telecommunications network for the industry, which it expects to develop together with Electronic Data Systems of the US. Ironically, many bankers now say that one reason for their lack of sophistication in this area was the strategic export controls formerly applied by the west, which limited the access of the banking industry to modern technology.

Gradually, the outlines of a modern commercial banking system are thus appearing. Old specialisations will slowly disappear. The idea is that the banking system should be a universal one on the German model, in which individual institutions can undertake both commercial and investment banking activity.

The authorities hope eventually to be able the privatise the commercial banks created out of the old monolithic structure, but there is still a long way to go. The foreign-exchange market is still tightly controlled by the National Bank; the money market is embryonic, and there is still great uncertainty in credit analysis and accounting.

One risk is that the new banks will over-extend themselves and run into difficulties as their assets turn sour. The available evidence suggests, however, that the new commercial banks have, if anything, erred on the side of caution. "Maybe they are even more cautious that the situation requires," says Mr Marian Kanton, president of Bank PKO SA.

Acknowledging that difficulties in the banking sector could jeopardise the reforms, Mr Leszek Balcerowicz, Finance Minister, says the government is creating two special institutions, which would relieve the banking sector of pressure resulting from problem loans that could jeopardise its future development. These are the Polish Development Bank and the Agency for Restructuring. The risk is that these institutions will be little more a safety valve, designed to obviate political problems associated with economic reform. But Mr Balcerowicz says they will be under strict budgetary constraint and actively involved in the restructuring process.

Meanwhile, the race is on to ensure that reform of the banking system keeps pace with reform elsewhere in the economy.

Peter Montagnon

Warsaw Stock Exchange

Foreigners will be asked for advice

FREE SHUTTLE buses from Warsaw's smart new hotels nowadays ferry punters to the casino that has been created in the sombre Palace of Culture, presented by Stalin to the Polish people.

In a similar snub to its former Communist overlords, Poland is now planning to house the new Warsaw Stock Exchange in the building once occupied by the Party's Central Committee. The hope is, however, that the stock exchange will not be a casino, but a serious and integral part of the new economic structure being created by Finance Minister Leczek Balcerowicz.

The idea of creating a stock exchange follows logically from the privatisation programme espoused by the government. Not only is there a need to mobilise capital for investment; but without an exchange there would be nowhere to trade the shares of the newly privatised companies. The risk is that unregulated trading of securities, which has already started at commodity exchanges that have sprung up in towns like Lodz and Poznan, would spread, raising difficulties for investor protection.

Yet Poland has had to start from scratch to create an exchange. Some Poles still view the whole idea with suspicion, fearing it will be no more than a mechanism for shysters to get rich quick. There is no long tradition of securities-trading within the country or of regulating the market. The government has therefore decided to take plenty of foreign advice.

Under the terms of the Public Trading and Securities Act that was passed by the cabinet in October, the government will establish a Securities Commission to regulate the market. This will be modelled more along US lines than on the self-regulation of London's Securities and Investments Board, the grounds being that a new market lacks the experience to regulate itself.

The commission will be responsible both for issuing licences to brokers and to provide disclosure rules for bond and share issues. Here the problem is that Poland's very poor accounting standards do not make it easy for meaningful rules. It is well-nigh impossible for new issuers to establish a clear three-year track record as demanded, for example, under European Community rules. According to Mr Leslaw Paga, the official responsible for drafting the law, companies will be expected to provide historical accounts under both the old Polish standards and at least one year under Western standards as well.

The Commission will also be responsible for licensing brokers, both as firms and as individuals. The former will require minimum capital of between 250m zlotys (£13,500) and 1bn zlotys, though the precise amount is yet to be decided. The latter will have to undergo training for around six weeks and pass an examination.

The qualifications will include a university degree, though not necessarily in economics. "Unfortunately our economic studies are not relevant to western markets," says Mr Paga. Would-be brokers will also be expected to have some knowledge of foreign languages and show a psychological aptitude for the kind of tasks performed by western securities firms.

Mr Paga says he hopes that the first 100 brokers will have completed their training by early February, paving the way for the stock exchange itself to open in the summer. The exchange will be modelled on the French provincial bourse of Lyons, which Mr Paga regards as a modern regional stock exchange that handles roughly the sort of volume which Warsaw could expect. Poland has relied heavily on the advice of the French federation of stockbrokers, as well as the Lyons bourse.

When the exchange is open, unofficial trading in securities will be banned. This has caused disgruntlement among some of the roughly 80 companies already engaged in this activity. They see it as undesirable for the state to own and run the stock exchange, but Mr Paga says it is necessary to prevent "excesses" that could undermine the confidence of investors.

In fact, the rules that apply to brokers will be quite strict. To prevent the kind of manipulated markets that sometimes occur in developing countries, they will not, for example, be allowed to trade in shares issued by their owners. Banks will be allowed to enter the brokerage business, but they will have to make a strict distinction between the capital applied to this business and the capital on their normal commercial banking activities.

About 50 companies are expected to be listed on the exchange at the beginning. The key to the market's success will be the speed with which a liquid market builds up, so that speculative bubbles can be avoided. To help with this, mutual funds is to be promoted, and foreign securities firms are being actively encouraged to participate.

Peter Montagnon

Insurance, a vital tool for investment, faces...

A shortage of skills

THE DEVELOPMENT of a commercial insurance market in Poland may not be the most glamorous of the financial reforms sweeping the country. But it makes up for this in importance and challenge.

The very idea of insurance had almost no relevance to the old centrally-planned economy, where the state assumed liability for, and control of, just about everything.

PZU, the big domestic insurance concern, was little more than an arm of the Finance Ministry, collecting premiums and paying out claims as if they were taxes and benefits. It did not have to make a profit, but it could be, and was, used as a fiscal agent for penalising the few private-sector enterprises that were obliged to take on extra "compulsory" insurance at high premium rates.

Now, the economic reforms have changed all that. Newly-privatised companies will have to insure their plant and equipment to be eligible for bank finance. Individuals will need health- and life-insurance to compensate for the inadequacy of state-funded medical and pension programmes.

More important still, a viable insurance industry is seen by Poland's reformers as an essential tool for mobilising savings and investing the resulting premium income in industrial restructuring. Only if they can create some large institutional investors will the new Warsaw stockmarket be endowed with sufficient liquidity and depth.

Moving to that point from the present state of decay is, however, easier said than done. According to Mr Krzysztof Jarmuszczak, the 33-year old insurance professional who was recently installed as deputy chairman of PZU, premium income in the Polish market was worth only a little more than $500m last year, a pittance for a country of 40m people.

Adds Mr Wojciech Kostrzewa, the German-educated economist who is advising the Finance Ministry on the country's insurance reforms, Poles are suspicious of life insurance. Those who have tried it have received virtually nothing: benefits have not been index-linked, because there have been no suitable investment vehicle for the premiums.

Poland's insurance industry today suffers from a severe shortage of actuarial and underwriting skills. That would make the establishment of a market-orientated industry hard enough, but the problem is compounded by the shortage of investment opportunities and skills.

"We have neither the people, nor the equipment, nor the know-how," says Mr Jarmuszczak. The key, he adds, will be collaboration with western firms, not only in the insurance sector, but in investment management as well.

At present, there are three main insurance enterprises operating in Poland. PZU handles all domestic insurance, including motor insurance which has proved very costly, heavily fuelling its 300bn zlotys (£16.2m) deficit last year. Warta handles all insurance with an

Under the new regulations, Poland is establishing a regime modelled closely on the European insurance directive, as far as capital requirements and solvency ratios are required

international flavour such as freight insurance for exports. Because this has allowed it to develop some overseas contacts, its basic insurance skills are better developed than those of PZU. Finally, there is a minority player in the form of Westa, an independent Lodz-based firm established in 1988 as a co-operative. Westa has 5 per cent of the overall market.

Under the new regulations, Poland is establishing a regime for its insurance industry modelled closely on the European insurance directive, as far as capital requirements and solvency ratios are required.

However, the approach will follow the British, rather than the continental model, in so far as it will be the insurers themselves, rather than the products they provide, that will be subject to the closest regulatory scrutiny for licensing purposes. This is thought likely to foster innovation, product differentiation and competition in setting premium rates. The market is expected to expand more flexibly than would be the case if the products themselves were subject to licence. Such a system would lead to standardised products and converging premium rates.

Competition is central to the development of the market, Mr Kostrzewa argues; not least, because it will help mitigate sharp premium increases that are expected in some sectors such as motor insurance. To foster competition, Warta's monopoly hold on international insurance is to be broken. PZU will eventually be split into two separate life and non-life units, and a liberal approach has been adopted to the involvement of foreign companies.

Some five to seven companies will obtain licences before the end of the first quarter of next year. Already Assurances Générales de France is preparing to launch a joint venture with the Warsaw branch of solidarity, and AIG of the US a similar venture in Gdansk. The potential synergy is clear. Solidarity provides the access to factories and the marketing contacts, while the foreign firms provide the insurance expertise.

Fast development of the market will not be possible, however, unless the insurance industry is allowed to invest some of its premium income abroad and to seek overseas reinsurance. This the authorities are expected to allow. Though PZU has realised that it does have considerable real-estate assets, Mr Jarmuszczak reckons it will be at least two years before there are sufficient liquid stockmarket opportunities for investment of premium income.

In the meantime, Poland, a country badly in need of capital investment, will be in the curious position of exporting savings mobilised by the insurance industry. This, however, is something the authorities seem prepared to put up with. Though the insurance industry needs a viable local financial market in order to prosper, the local market also needs investors. By allowing foreign markets to pick up some of the slack, it is possible that Poland could eventually satisfy both requirements.

Peter Montagnon

Street traders were welcomed at first, but now cause annoyance in some quarters

Retailing is at the forefront of privatisation

Queues give way to anxieties of choice

THE CHANGES on Poland's high streets have been the most visible signs of the country's economic transformation: most of the queues and shortages have already disappeared.

But shoppers now have to contend with a new set of problems: wider choice and higher prices, not to mention the mushrooming of new unfamiliar foreign stores and the proliferation of – often unreliable – street traders.

At first, these traders were welcomed, since they plugged many gaps for goods and competed with the state stores. But there is increasing annoyance in many quarters that most remain unregulated, paying no taxes or rents and having no responsibility for the goods they sell. The Ministry of Internal Trade talks sniffily about the "disgraceful mess on the

New distribution businesses are springing up, but whether they will be able to bear the full weight of the market remains questionable

streets" and promises that things will improve.

But great though the changes have been, further drastic changes are on the way. Retailing is at the forefront of the government's privatisation programme, and the ministry plans that about 90 per cent of the 120,000 state stores will be transferred to private owners within the next five years.

The ministry is also planning to privatise 70 of the largest state retail, wholesale and service organisations, such as the Moda Polska fashion house, the Orbis tourist company, and the Pewex hard currency stores.

The most viable of these businesses will be fashioned into joint stock companies, sold to their employees and the public, and eventually floated on the stock exchange.

But only a few will proceed along this route; most will be "privatised through liquidation", as the process is known.

This means that the ministry will either sell or lease the enterprise's assets to its employees, or simply inject them into a new company. In some instances a mixture of all three methods will be used.

"The enterprise will be liquidated to privatise its assets. In this way, we can improve the function of the market," explains Mr Andrzej Lewinski, director general of the Ministry of Internal Trade.

But the complexities of this process are startling. First, the ministry has to determine the value of the assets, which is occasionally proving prohibitively expensive.

"In extreme cases, the costs of analysis can be higher than the value of the enterprise," says Ms Alicja Matela, of the Ministry of Internal Trade.

But legal problems are also arising over the ownership of assets.

For example, Polmozbyt, the state-owned vehicle-distribution company, had previously spun off some of its operations to agencies. These agents have since invested in improving their businesses. But who now owns these assets? And should the agents have the same rights over the rest of the business as its full-time employees?

Even after the old state systems are dismantled, it is not yet clear what will replace them. New wholesale and distribution businesses are indeed springing up to fill the various vacuums, but whether they will be strong enough to bear the full weight of the market remains questionable.

Retailers will be severly handicapped in their ability to improve their services by an acute shortage of capital and know-how. New skills have to be learnt quickly, and the whole culture of "service" will have to be developed.

Some of the problems that these retailers will face are highlighted by the experience of Euroshop, a small chain of grocery stores set up in Warsaw with the considerable help of German backers.

Mr Grzegorz Szymanski, president of the Jahr-Verlag, the joint venture that owns the Euroshop stores, says it took four months and cost several billion zlotys to renovate just one state-owned store it bought in the suburbs of Warsaw.

"The place was in an awful state. There was water in the basement, the floor was in a dreadful condition, and there was no central heating or freezing equipment," he says.

The store has now been transformed into a small but reasonably upmarket supermarket, covering 778 square metres and stocking 900 items.

About 20 per cent of the goods are imported, including milk from France, pasta from Italy and a range of German mayonnaises, ketchups, and vinegars. "We are finally returning to Europe," says Mr Szymanski, sarcastically.

But the presence of stores such as Euroshop is already sending ripples through other sectors of the economy, as its more stringent trading practices and buying requirements raise the standards of Poland's own producers.

"If they want to sell their goods to us, then Polish producers will be forced to produce goods of better quality," Mr Szymanski says.

He explains that this does not only refer to the quality of the products themselves but also to the whole way they do business.

"Previously, if I wanted to

The gradual opening of more foreign retailing operations is having a marked effect on the standards of Poland's suppliers

buy 100 kilos of ham, I had to take some sausages too, which I did not want, and which turned green before I reached Warsaw," he says.

Polish producers, he believes, will have to introduce new technology, change what they produce, and learn how to sell their goods.

"It requires a closer co-operation between the producer and the retailer. Otherwise the Polish producer does not know what to produce nor what will sell. The farmer has to know that there will be a market for his goods," he says.

The gradual opening of other foreign retailing operations is having a similar effect on the standards of Poland's suppliers. For example, the long-standing involvement of IKEA, the Swedish furniture group, has already helped lift some sectors of the indigenous industry on to a globally competitive level.

Although the immediate problems that confront the Polish retailing sector are immense, the ministry of internal trade argues that there is enormous long term potential. Since, according to the ministry, Poland has only one-tenth of the retailing space that exists in west Germany, despite having a population roughly two-third's its size.

John Thornhill

Industry: **John Thornhill** profiles two candidates for privatisation

Speakers for the system

THE CYNIC may argue that it will be difficult for Poland to "sell off the family silver", because none can be found. But that would perhaps be taking too pessimistic a view of the privatisation process, since some of Poland's best companies look fully capable of competing in the world economy.

One Polish company heading down the privatisation slipway is Unitra-Tonsil, a loudspeaker company, based in Września near Poznan. Founded in 1945, the company has expanded strongly and currently employs over 3,000 people.

"It is quite clearly a business that would survive if you were to pick it up and put it in England. It has a direction and a business strategy," says Mr Charles Honnywill, a consultant with Ernst & Young, the UK consulting firm, which has helped prepare the company for privatisation.

Mr Kazimierz Wiacek, the company director, is all in favour of privatisation. "I am personally convinced of the merits of workers buying shares in the businesses where they work. Instead of being an illusory co-owner of the factory they become a real co-owner," he says.

"The workers will become interested in the results of their work, how the business is run, and how they get profits from the stocks they hold."

The privatisation still depends on the ministers in Warsaw – there has been some criticism about the feet dragging that has accompanied the whole process – but Tonsil hopes it will be privatised by the year-end.

Twenty per cent of the shares will be sold to the company's workers at a 50 per cent discount. The rest will be sold to the public, although foreign investors will be able to buy up to 10 per cent.

The value of the company's assets has been difficult to assess, but Mr Wiacek says they are worth perhaps 90bn zlotys (£4.9m). However, he expects the market value to be considerably higher.

Mr Wiacek sees considerable management benefits in the privatisation. The factory will be run more independently, and the managers will be able to make decisions about how much to invest and whom to employ.

In consultation with its British advisers, Tonsil has worked out a business plan mapping out its future strategy. "If we realise this plan we will be able to secure the interests of the labour force, the shareholders and Poland," he says.

Another company that is heading for privatisation is the Swarzedzkie Fabryki Mebli, a furniture business founded before the second world war. The company makes all kinds of household furniture, mattresses and panelling, and employs 3,200 people in eight factories.

The company draws on strong local furniture-making traditions as it is located in Swarzedz, which has been the historic cradle of Polish furniture manufacturing. It is estimated that there are 2,000 workshops operating in the area.

This year SFM has exported \$22m worth of furniture, mainly to Germany but also to the Netherlands, Finland and Sweden. This represents 75 per cent to 80 per cent of total production and makes it Poland's biggest furniture exporter.

"The enterprise has a very good name in the world and our trade-mark has been created by a tradition we have built up since before the war," says Mr Ryszard Karolczak, one of its directors.

The company has been prepared for privatisation by western firms, and the process may be completed this year.

The move has been fully supported by the workers' council, even though there will be some redundancies after the privatisation. At present, there are about 520 white-collar workers, but their numbers will be reduced by about 40 per cent in the coming months. "We will have to restructure the management and change the hierarchy," says Mr Karolczak.

The company will introduce computer systems and increase the emphasis on training: many of the staff are already learning English and German in order to promote their overseas sales.

SFM is also planning to disentangle itself from some of the social welfare obligations that it took on when it was a state company, and is shedding its holiday homes, kindergartens, and crèches.

"They are subsidised from our profits at the moment, and they will have to function in a new economic form," Mr Karolczak says.

Profile: **Huta Katowice**

Cast in a new mould

HUTA KATOWICE, Poland's largest integrated steel plant, is a classic "political" plant, beloved of Soviet central planners.

Originally planned for East Germany, it was built instead on the outskirts of Katowice, in southern Poland, at a time when the country was in a state of simmering revolt against Soviet domination.

Its main raw material, iron in the shape of concentrated iron pellets, is shipped nearly 800km along a specially constructed Soviet-gauge railway from mines and concentration plants in the Kursk magnetic anomaly in the Ukraine.

Poles assumed that the special railway line to transport iron ore was also designed to bring Soviet tanks directly into the heart of industrial Poland in an emergency.

Built at an original cost of around \$200m in the mid-1970s, the 4.5m-ton capacity plant incorporates a mixture of Soviet and western technology – largely financed by the western credits so freely contracted during the leadership of Mr Edward Gierek.

Until January 1, the true economics of the plant were obscured by Comecon rules, which attached artificial prices to the iron ore, gas and other products supplied by the Soviet union, and to the rolled products, profiles and coke shipped in the opposite direction.

But on January 1, the Kombinat, like other state-owned enterprises, was obliged to abandon the cosy security of centrally-planned resource and market allocation and operate as an independent enterprise.

The price of coal supplied from nearby Silesian pits went up fourfold as part of Warsaw's plan to eliminate coal subsidies entirely by 1993, and other input prices also rose sharply. On the other hand, the sharp depreciation of the zloty, and enforced below-inflation wage rises, increased competitivity on hitherto largely untapped western markets and lowered real wage costs.

On January 1 next year, the Kombinat faces a new series of complications when its former reliable supplier and customer in the east – the Soviet Union – switches to trading on a dollar basis.

The price of gas and iron from the Soviet Union will jump to international levels, while Moscow has been unable to guarantee uninterrupted supplies, given its own production problems and political uncertainties in the republics.

In anticipation of possible gas shortages, management is raising the supply of gas from its coke furnaces and preparing to substitute this home-produced gas for the imported natural gas.

" We did not bother before, because Soviet gas was so cheap and reliable," according to Mr Kazimierz Napora, the plant's economics director.

Low Soviet prices also discouraged prospecting for gas in Poland itself. But the World Bank believes that Poland has large gas deposits, which could be exploited not only to provide a new source of domestic energy but also to cut back on heavily-polluting coal use.

Meanwhile, like most state enterprises in the heavy industrial sector, Huta Katowice's first reaction to the new economic mechanism introduced on January 1 was to raise prices sharply. Demand dropped like a stone, according to Mr Napora, largely because the plant's domestic heavy industrial customers cut back production sharply.

Fortunately, there were sufficient orders in the pipeline to guarantee full production until May. But, clearly, drastic action was needed if the plant was to operate close to its habitual full capacity.

So in February a newly invigorated marketing department circulated all customers with a notice, announcing discounts of from 10 to 15 per cent on the January price. These discounts were raised to 23 per cent in March.

Domestic demand, however, remained depressed, reflecting the 23 per cent drop in output from the socialised sector in the first half of the year.

So Mr Napora and other executives packed their bags and travelled to Germany and other potential markets, to try to whistle up business. There were few takers for high-margin finished products, but keen interest in cheap semi-finished bars, billets and the like.

Exports rose sharply to over 50 per cent of the total \$800m turnover, including an extra 300,000 tons of semi-finished products exported to keep the mills working at full capacity.

Meanwhile, new contracts were signed with Mannesman to modernise and replace the old-fashioned, inefficient Soviet blooming mill with a continuous casting line.

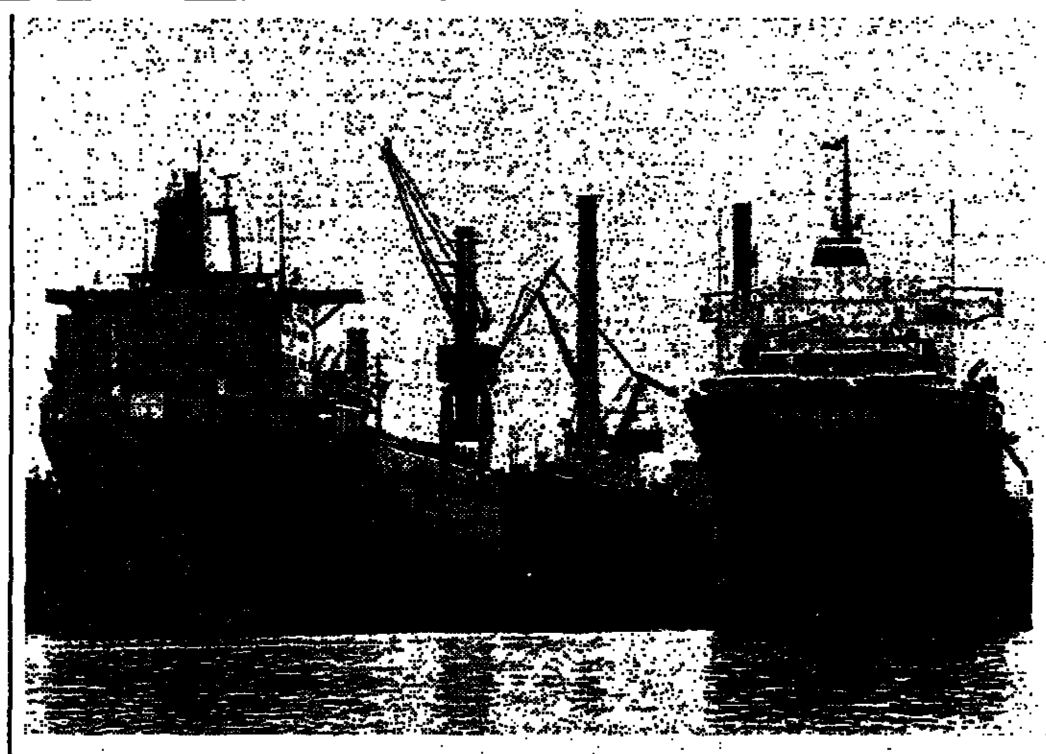
In the next few years employment will drop, but so far few of the 16,000 workers have lost their jobs. This is partly because numbers have already been cut through natural wastage from 20,000 a few years ago.

A new five-year strategic plan, drawn up with the help of a US steel expert, seconded and paid for by the US government, calls for employment to drop to 10,000 by 1995.

By then, Huta Katowice will be stripped down to the basic steelmaking plant of blast furnaces, convertors and rolling mills, while ancillary activities will be hived off to separate, possibly privatised, companies.

Last year, the Kombinat made a net profit of \$60m. But, Mr Napora admitted, the figures are virtually meaningless in western accounting terms. Next year, the books will be audited and the accounts prepared by UK accountants, according to EC accounting standards. "Then we'll really find out what's going on – and that's really revolutionary," he added.

Anthony Robinson



The Gdansk shipyard is in a powerful position in talks with the Solidarity government

Shipbuilding

Historic yard seeks to end wage control

THE GDANSK shipyard, its giant cranes towering against the Baltic skyline, has a special niche in Polish history as the place which finally wrestled communism to the ground.

It was here, in 1970, that workers were shot and killed, protesting against food price rises; and 10 years later Solidarity, eastern Europe's first independent trade union, was born in the August strikes.

Mr Lech Walesa calls it "my shipyard", and it is as much a shrine for Solidarity supporters as is the Jasna Gora monastery in Czestochowa for Polish Catholics.

All this gives the yard an almost unassailable position in talks with the Solidarity government, as it seeks to unravel the consequences of its politically ill-fated closure by the last communist administration, in November of 1988. However, if Mr Hans Szyc, the Solidarity-bred managing director, appointed last January, is to be believed, the yard doesn't need state aid.

"I don't have any loans, I'm settling all my bills to suppliers and the budget in time, and I have money in the bank earning me interest," he says, in his wood-panelled office.

Foreign investors, including the rich Polish American Ms Barbara Piasecka Johnson, who once offered to put large amounts of money into the yard, have ridden through and disappeared over the horizon. Mr Szyc shows little sign of regretting their departure.

Privatisation of the yard would, he says, help in motivating management and workers, but "it isn't an absolute necessity".

At the moment, the government and parliament are trying to find ways (without creating precedents) of giving the workers shares in the yard, in lieu of the compensation they are owed as a result of its closure. However, the steam seems to have gone out of the issue on the shopfloor.

Continued on facing page

Historic shipyard

Continued from facing page

Mr Szyc, an engineer who joined the yard in 1961 straight from a trade school, is angry, though, about controls on wages. These don't apply to private-sector companies as well as joint ventures with foreign capital, and are preventing him from paying his workers more.

He is keen to force the government to drop the controls. "Wages aren't inflationary, but the fall in production is," he argues. In its heyday in the 1970s, the yard employed 15,000 or more. Now, Mr Szyc is pleased that he has managed to recruit another 500, bringing his workforce up to 7,600.

Mr Szyc sees the freeing of wages as the main incentive pushing enterprises to seek joint-venture agreements, and he has little time for the neighbouring Gdynia Paris Commune yard, which is embroiled in lengthy negotiations with Kvaerner, of Norway.

At Gdynia the mood is pessimistic. The local Solidarity organisation has even demanded the dismissal of senior management

Indeed, the Gdynia yard has refused to join a Gdansk initiative, aimed at establishing a loose association, grouping the managing directors of the other four Polish yards and ancillary industries, called the Shipping Forum.

The Warski yard, in Szczecin, which economically is in good shape, is also involved in the Forum. It too, though, is conducting talks with the Danish Burmeister and Wain company on a possible joint venture, a decision which has raised tension among the workforce. Nevertheless, Mr Szyc says: "In time, we might set up a consortium", echoing his predecessors who, in the planned economy, had run their yards within a centralised management structure.

He says meetings of the forum should deal with exchanging information, marketing and trade issues, as well as technology. At the moment, the Gdansk yard, working at 40 per cent capacity, is finishing eight vessels, five for the home market and one each for the Soviet Union, Norway and a German ship owner.

The yard wants to build for the Soviet Union, a major client in the past; but with decisions pending on exchange rates, following the phasing out of the transferable rouble, no contracts have been signed. Mr Szyc does, however, have new orders for 16 vessels from France, Finland, Germany, Norway and the Polish PLO line. Work is due to start on these next year.

At the Gdynia yard, the mood is more pessimistic, and the local Solidarity organisation has even demanded the dismissal of senior management.

Even though papers registering the proposed joint venture with Kvaerner have been sent to the court and the Norwegian company's executives nominated for top jobs in Gdynia, final agreements have yet to be signed.

Under the agreement, Kvaerner is to invest $12.5m this year, provide $5m-worth of technology, and put in another $10.0m next year. Loans worth some $30m were also to be raised, including some funding from the International Finance Corporation, a World Bank associate.

But in March the Polish government decided to remove subsidies, worth 20 per cent of the contract price negotiated in 1987, on three 82,000-tonne tankers for Zenith of the UK, and two 150,000-tonne bulk carriers for Louis Dreyfus of France. This faced the new company with an immediate loss, and caused Kvaerner to delay.

Accordingly, the Gdynia yard broke its contracts and sought in this way to wring a higher price from Dreyfus and Zenith. Thus it aimed to get some $40m for one of the tankers, whose price three years ago had been agreed at $27m.

As talks continue, Gdynia remains anxious. Also, the yard has run up debts as a result of paying the 6,500 workers over wage-limits, and its bank is refusing further loans. The pay decisions were taken on the assumption that the joint venture would come into being this year, thus waiving the resulting prohibitive wages tax.

Indeed, the Gdynia yard could go bankrupt — a fate which the Gdansk works should avoid, being more than just a factory.

Christopher Bobinski

The countryside, which has 40 per cent of the population, voted en masse for Solidarity

Agriculture: the past year has yielded...

One crisis after another

FIGURES SAY this has been a good year for farm output, though you wouldn't think so to talk to the Polish farmers themselves.

With 80 per cent of the land in private hands, the farmers had, long before Solidarity came on the scene, forced the communist authorities to drop all thought of collectivisation. Later, in 1989, the countryside, which makes up 40 per cent of the population voted *en masse* for Lech Walesa's men and their promise of a better future.

Initially, the freeing of food prices in August last year by Mr Mieczyslaw Rakowski's outgoing communist government brought a growth in farm incomes, as compared with urban wages. However, this January the IMF-approved austerity programme, raising the costs of credit and depressing demand for food in the cities, provided a rude shock.

Indeed, with the onset of higher prices, food consumption has fallen, with shoppers exchanging interminable queues for more frugal menus.

It was a year which brought one crisis after another. Desperate farmers blocked roads and occupied government buildings in a bid to force the state to buy their surpluses and increase farm prices. For the cost of machinery and equipment had risen faster than food prices, and the farmers found that their proceeds from the 1989 harvest were soon whittled away.

Nor did the situation improve after this year's record 27m tonne grain harvest. Incomes from the sale of farm products in the first nine months were five times higher than in the same period last year. But that has to be compared with a sevenfold increase in incomes throughout the economy and a tenfold rise in consumer prices.

The farmers, including Rural Solidarity, did force the government to set up a rural agency, an official body committed to intervening in the market to maintain prices. What they have not got is guaranteed minimum farm prices, the most important demand, resisted by Mr Leszek Balcerowicz's finance ministry.

Some relief is now also coming from agricultural exports, which grew by 16 per cent to hard-currency markets in the first eight months of the year. This produced an unprecedented $800m surplus, as a result of a fall by 73 per cent of mainly feed imports to $300m. And the government has now agreed to permit food sales to the Soviet Union, which will take potatoes and sugar, both of which recorded large harvests this year, producing worrying surpluses.

But even sales abroad have been a vexed issue, with the government at first worried about shortages at home and refusing to raise export quotas. It then had to defend the idea of incoming western food aid valued at some $200m so far, this year which has irritated the farmers.

The country's 2.7m private farms, averaging 6 hectares each, reacted defensively to all this. They cut outlays on fertilisers; and the Ursus tractor factory near Warsaw has, for example, had to reduce production by 30 per cent this year.

They also speedily repaid their debts, banishing all thought of raising new loans, even though interest rates have now come down.

As the price of grain and potatoes fell, relative to the price of pork, farmers moved to breeding pigs at the expense of cattle and dairy products.

Thus, by June, the pig population had grown by 6 per cent, while the number of cattle had fallen by 5 per cent, compared with the same month in 1989. Even so, meat deliveries to consumers this year have been 11 per cent down on last year.

Despite the drastic drop in demand for fertiliser and pesticides this spring, the summer brought a good grain harvest as well as a high potato and sugar beet yield.

However, in the longer term, the fall in the use of chemicals on the land, which in any case is a mere fifth of the quantities used in western Europe, will depress harvests. The drop in high-protein feed imports has also increased breeding costs.

The cut in demand for agricultural machinery is probably salutary, creating the chance that industry will start to produce equipment more suited to small farms. However, there is little evidence as yet of bankruptcies, with richer farmers expanding and buying out smaller units.

Indeed, opinion polls have shown that the farmers with larger farms, who were more heavily burdened with loans at the start of the year, are more inclined to criticise government policies than the small holders.

Christopher Bobinski

Environment: plant closures have reduced pollution, but...

The west may need to help

ECOLOGISTS FEAR that a *quarter* of the Polish population could be *suffering from* environmentally-induced cancers by the end of the century, if drastic steps are not taken to reverse the consequences of decades of ecologically-heedless industrialisation.

Envious eyes are being cast across the border, to where nuclear and polluting thermal power stations in former East Germany are being closed, along with the lignite mines and coal-based chemical plants which have long cast their pall over Poland and Scandinavia.

Poland cannot afford the luxury of closing similar plants on its own territory. But the dismantling of east German heavy industry, plus the steep decline in Poland's own heavy industrial output this year have given millions of Poles the first respite for years.

But it is far from sufficient. Thanks to the prevailing winds, and the location of much German and Czechoslovak heavy industry close to the frontier, Poland has long suffered massive imported air pollution. Around 50 per cent of total airborne pollutants come over the borders, before mixing with Poland's own pollution from highly concentrated heavy industrial and mining regions in Galicia, upper Silesia and the Legnica copper belt.

Much of Czechoslovakia's most heavily polluting plant, for example, is concentrated around Ostrava and Karvina in the gap between the Sudeten and Carpathian mountains. The prevailing wind takes exhaust gases from high chimneys straight through the gap into Poland and beyond, killing mountain forests in the process.

Within Poland, the main single source of pollution is the use of coal to produce 82 per cent of the country's prime energy. Over the last three years, output has dropped from over 190m to under 150m tons, due to the cut-back in exports to the Soviet Union and the sharp drop in Polish industrial output over the first half of this year. Even so, most Polish factories, even those using western technology and constructed by western companies in the 1970s, have only the most rudimentary anti-pollution systems.

Low energy prices up to now have contributed to a profligate industrial structure, which uses three times more energy per unit of output than the OECD average. But domestic coal prices rose more than sixfold and industrial coal prices fourfold this year, as part of the phasing out of coal subsidies.

According to the European Community working group on aid programmes for Hungary and Poland, "the high level of dependence upon coal is the result of autarchic trading policies" and low investment in other energy sources like gas.

But now the World Bank has earmarked over $250m, to help develop a domestic gas industry, and is also prepared to help fund environmental protection schemes, together with the European Community and individual countries like Sweden, which are anxious to reduce pollution in the Baltic and the effect of acid rain.

Nuclear power, once seen as a non-polluting alternative energy source, is now in disfavour after a large swathe of Poland received fall-out from the Chernobyl disaster. The government recently stopped construction of the country's first nuclear power station, at Zarnowiec, near Gdansk. Able for the first time to make a rational analysis of real costs and benefits, the government enquiry found that it would be cheaper, and ecologically more sound, to modernise existing coal-fired power stations with fluidised-bed and other modern technologies.

Filters and modern burning techniques are desperately needed, especially in upper Silesia and the neighbouring Krakow district, which the EC working group described as "among the most polluted areas in Europe". For good measure, the report called the river Vistula, which runs through Krakow and Warsaw to the Baltic, "an environmental disaster".

The Vistula, once the principal water supply for half of Poland, has been turned into a biologically-dead, poisonous sewer by the discharge of saline water from the Silesian coal mines and the discharge of raw sewerage from the towns and cities through which it passes.

At Crakow's University of Mining and Metallurgy, academics like Dr Tadeusz Pindor and Professor Jan Dobrowolski say Poland urgently needs co-operation with western ecologists, and that advice in cleaning up industrial pollution from places like the Ruhr and the British industrial areas, which have successfully cut pollution through industrial renewal.

Without foreign know-how, technology and capital on a large scale, they fear that cleaning up the environment will be too expensive and take too long for a country with a $46bn debt and an urgent need for the jobs and hard currency which the mines, steelworks and processing plants earn.

Anthony Robinson

ANYONE interested in Poland's attempts to transform itself from a command to a consumer economy should take a close look at women's legs.

For the creation of a market for depilators in Poland last year is an instructive example of how new markets are emerging almost overnight, and how consumer demand is being stimulated and satisfied.

The person who decided that Polish women could no longer live without such devices was Mr Jacques Tourel, an energetic American who, with his wife, set up an import business in Poland three years ago after visiting the country.

"We smelled that something was happening in Poland, and so we went back to the US and started to talk to suppliers and manufacturers about the possibilities of representing them here," he says.

One of the companies keen to do business in Poland was Remington, the US shaver group, and Mr Tourel instinctively believed there was a big potential market for its depilators. The problem was that no Polish retailer thought the same, especially when they learned their price was $35 apiece.

Undeterred, Tourel decided to take his message straight to the market. He made a commerical on the product – using his own in-house facilities – and bought broadcasting time in the middle of the Miss Poland beauty pageant, which was

John Thornhill observes the sprouting of a consumer economy

More than a close shave

sponsored by his company, Multi-Investments International Marketing.

"Immediately after the show our telephones did not stop ringing," Tourel says. But still the big chains were reluctant to buy the products.

Eventually he persuaded the Baltona chain to stock 500 units. He then arranged a further promotional stunt, and invited a host of film stars and fashion designers to a press conference in a smart Warsaw night club on the subject of the "look of the leg".

"I would like to announce that the hairy leg is very ugly," the fashion designer proclaimed at the start of the evening, and various stars took up the theme. About 70 journalists attended the press conference, and many articles on the subject followed. The 500 depilators sold out almost immediately.

Since then, MIIM has been supplying about 10,000 depilators a month and demand has continued unabated.

Sitting in his office in the former Ministry of Mining, now decked out in the left-over finery from furnishing the local Marriott hotel, Mr Tourel smiles at his achievement and says: "At the moment the market just absorbs everything. Market research is a waste of time."

This, at least, is the principle he has applied to the goods he has marketed in Poland, including Fisher Price toys, Texas Instruments calculators, diabetic foods, Ray Ban sunglasses, Gucci watches, Marlboro cigarettes and Gerber baby products. He says his company turns over $200m a year.

But Tourel denies that he is merely stuffing the Polish market full of luxury goods that Poles can ill afford. He argues that his company is also performing a useful function in the Polish economy.

As the old state distribution systems collapse, the new emerging retail organisations need to create new arrangements with suppliers, which is all the more complicated if they happen to be foreign.

Tourel says these companies prefer to deal through him, rather than directly with the suppliers, and his distribution network is now expanding throughout eastern Europe. "We gave Gerber baby products 600 retail outlets in three months," he boasts.

But Polish companies are also learning the lucrative benefits of marketing other people's products. One of the biggest companies operating in this field is ITI, which was set up during the dark days of martial law.

Like so many private businesses operating in Poland, ITI, based in Luxembourg, has spread its net wide and is now involved in a range of activities as diverse as crisp manufacturing and film distribution. It sells $40m-worth of Hitachi electronic goods a year.

"I would like to announce that the hairy leg is very ugly," proclaimed the fashion designer

But ITI also claims to be Poland's biggest advertising business, with 20 full-time employees and over 50, mostly Polish, clients.

The business is run by two Poles, Mr Jan Wejchert and Mr Mariusz Walter, a former television presenter whose business card proclaims him to be ITI's plenipotentiary and managing director.

Mr Walter says that the marketing and advertising industries are still at an embryonic stage in Poland, and at present serve only an informational purpose letting people know what products are available and where and for how much.

"The market economy we are approaching will stimulate competition and this in turn will stimulate marketing and advertising. And then we will be able to speak about *real* advertising," Walter says gleefully.

But the appearance of painted advertisements on trams, of billboards on building tops, of posters on shop windows, and of stickers near public telephones, suggests that the marketing and advertising sectors are already developing apace.

A whole welter of small private businesses are learning through experience how to market their goods from knitted jumpers to car repair services.

Even the mammoth state industries are having to take onboard the concept of marketing themselves and their products. FSO, the troubled Polish car manufacturer, is one example.

Mr Zbigniew Choros, the marketing director for FSO, says: "There was no interest in marketing in the whole socialist bloc. The study of capitalism was not permitted and the whole economy was centrally run."

Mr Choros is now conducting market research in several other east European countries, to find out how well known FSO's cars are and what reputation they have.

For the first time in 45 years, FSO is also talking to its customers in an attempt to find out what they want in a car and how the design can be changed to incorporate their wishes.

"The needs of the consumer will now have to be taken into consideration," Mr Choros says, in a simple but revolutionary statement.

Not surprisingly perhaps there is still a certain naivety among Polish consumers about the ways of the market and they have occasionally proved too trusting. This has left them vulnerable to the tricks of the unscrupulous. Warsaw is still sadly abuzz with the tale of a heavily-promoted private bank, whose owner simply disappeared with the depositors' money.

One lesson the Poles still have to learn is the cynical adage that advertising is about turning half-truths into whole lies.

The pulse of free enterprise, in Krakow: in the freer political climate, Poles are showing their resourcefulness. It is quite common to see a nurse or a medical student offering to take the blood pressure of passers-by for pin-money

Profile of a new entrepreneur

Reagan's America is his inspiration

THE POLISH press call him The King of the Coast. His employees call him him simply The Boss. But Janusz Lekszton is in reality a rather portly laconic 28-year-old businessman with a rare dedication to making money.

One of the batch of glossy, gossipy magazines that have recently sprung up in Poland estimated that Lekszton was the country's 16th richest businessman. But how it could possibly tell remains something of a mystery, considering the unknowable assets of so many other Polish entrepreneurs.

What is certain, however, is that he owns a seemingly thriving gas-heater, windows and doors business in Gdynia, on the Baltic coast. Lekszton puts the worth of company's assets at over $300m, and he has great ambitions to expand his operations further.

A private airline, an advertising company, and a commercial television station are all mentioned as possible future ventures, and he is very keen to publish the Polish version of Playboy – although the American editors have so far remained uninterested.

Lekszton's company, El Gaz, which was founded in 1985, employs 1,800 people and "is quite a phenomenon in Poland," he says, "because it is the only private manufacturing firm that is that big." But there is no need for trade unions, he claims. "The business is very generous."

His colleagues, who speak about him in hushed awe, say Lekszton is dedicated to the company. He starts work at six in the morning and stays in the office until nine at night.

"Whatever money he makes is immediately re-invested in the business. He does not live the life of a Maharaja. Until recently he lived in a small three-room flat and used a Mazda car," they say.

In his brochure, Lekszton writes that he "makes plans according to the American model of Ronald Reagan's era of economic boom." And there is a saying in the company that those employed at El Gaz found their America in Gdynia.

He also professes great admiration for Donald Trump, although unlike the American, Lekszton has hardly borrowed a zloty from the banks. "The firm's revenue was the only source of investment," he proudly states.

El Gaz is rare for a private company, in that it originated in a family workshop in Krakow and its core interests are still in manufacturing. Poland will need such creative entrepreneurs if it is to tackle its economic woes.

Unlike many other businessmen, Lekszton's outlook is not rooted in the mentality of the communist era. "I thought about the future yesterday, so I do not have to feel ashamed about the past," he says.

John Thornhill

WHEN Marriott decided to invest in a hotel in Warsaw several years ago, who would have thought that as soon as it was completed, communism would crumble and executives would have a base from which to scout for opportunities?

With its $180-a-night rooms, the Warsaw Marriott in the city centre provides an oasis for the weary Britons, Americans and Japanese. Its myriad restaurants offer a full culinary array, elevating even cabbage soup to the status of a local delicacy.

The Polish capital is changing as the country gropes towards a market economy and life for the western visitor becomes easier.

New food shops stocking imported products are opening, western newspapers are on sale on the day of publication and even office accessories and stationery, once a rarity, are easily purchased.

On the streets, people trade in almost anything, another sign of the times. There is a lively market at the foot of the Palace of Culture, the nearest Warsaw has to a conference centre which, if letters of intent are to be believed, will soon become a banking and financial complex.

The bad news is that the buying power of western currencies (the black market was legalised as early as 1989) is slipping. The zloty has been held stable at 9,500 to the dollar since January 1, while retail prices climbed by almost 200 per cent over the first nine months of the year.

However, first-time visitors still find the city "quite cheap" as one Englishman says, surprised "by how much more like a western city" Warsaw was than he had expected.

Nevertheless, services for westerners have become more expensive, with taxi drivers (car hire services are available even at Warsaw's crowded airport) the most notorious at squeezing extra bucks out of unwary visitors. One secretary to a western company reports that $50 has been demanded – and received – for fares which

Warsaw for the businessman

It's cheap but the exchange rate is slipping

should have cost no more than $2 or $3. "But what do you expect?" she says. "If the driver has been waiting all day [there is an oversupply of taxis] for a passenger, then no wonder he'll try and get an entire day's earnings in one go".

Those bored with hotel fare will find new restaurants cropping up. At the newly-opened Parnas Greek restaurant, near the university on Krakowskie Przedmiescie, a meal for six with wine and drinks might cost the equivalent of $130.

Down on Pulawska Street, the Gwarek restaurant reputedly gives the foreign visitor a chance to glimpse a new breed – the Polish yuppie.

Businessmen and their Polish contacts also gather in the evenings in Warsaw's restored Old Town at the Swietoszek restaurant (around $15 per head) or the Bazyliszek on the main square itself for about the same price.

But that comes after an onerous day's work whose main problem has been dialling to get a line out to head office. Telecommunications, it seems, are going to get worse before they get better. The only way is to try before breakfast or after office hours when everyone else has stopped trying to get through.

The post office, together with the western AT&T company, has begun installing a special service called Komertel (some 200 telephones are in place) which promises speedy connections.

For those who tire of working out of hotel rooms and decide to rent office space, the Intraco building, the first to be put up for foreign firms in the 1970s, is charging $23 per square metre and will be charging $28 from the new year.

But there are other locations. The Marriott building rents space at DM70 per square metre and the new all glass Wadeco building soon to be completed on Banking Square (it was called Feliks Dzierzynski Square, after the founder of the Soviet secret police, until last year) is expecting to charge $40 per square metre. Renting and adapting private accommodation and adapt will cost less.

Secretaries can be hired; an experienced one speaking languages should cost the equivalent of $300 per month. Translators expect to be paid $100 per day, however.

Paying staff could present another problem, as banking transfers take a long time to arrive, thanks to a still indifferent banking system. Eurocheques are accepted at the Bank Handlowy, the largest foreign trade bank, and some businessmen use the American Express Emergency Check Cashing service to get cash.

Nevertheless, even in this sphere there is hope. Mr Matthew Olex, an adviser to the Finance Ministry, promises that operating licences will have been issued to a brace or more of western banks by the end of March.

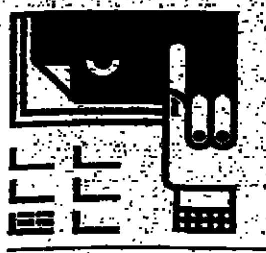
Christopher Bobinski

FINANCIAL TIMES SURVEY

COMPUTER NETWORKING

SECTION IV

Tuesday November 20 1990



As computer systems emerge from the data centre and take their rightful place in the front line of corporate activities, networking is assuming a new importance in the business world. Della Bradshaw traces its history and looks to the future of the technology

Glue for the global village

NO MODERN aeroplane would ever take off from the runway if it were not for networked computers positioned in its cockpit, wings and tail.

Neither would banks be able to run their hole-in-the-wall cash dispensers; travel agents book holidays automatically; nor robots assemble motor cars on modern production lines.

But although these examples demonstrate the central and pervasive role computer networking now plays in manufacturing and information industries, until recently computer networking has had an image problem.

Dismissed as bundles of spaghetti wiring, it has often been seen, at best, as something to be tolerated.

At worst it has been dismissed as an irrelevancy.

Now computer networks are becoming more widely promoted as they become the enabling technology to allow companies to extract most use from their existing investment in computers.

Perhaps even more importantly, they are the tools which could revolutionise many international businesses.

Computer networking now seems set to become the technological nervous system that will transform companies into "global" corporations, enabling them to sell the same product, with the same marketing and support, anywhere around the world.

As a result a new buzzword – the "computer-integrated" enterprise – has been devised to describe such a company, which will use public and private telephone lines to link together commercial and manufacturing sites internationally.

The role of networking in such a business is to enable companies to make the most of the time advantages and the other "value added", says Tim Johnson, chairman of the computer research company Ovum: "You can get data through more quickly and you can add more information to it," he says.

This idea has been taken up by computer manufacturers such as Digital Equipment, which recently introduced what it calls its "information network" concept.

This is intended to ensure that eventually any authorised computer user could get access to information held on any hardware platform anywhere in the world.

The concept involves more than just joining two machines together with a piece of wire. The challenge, says Stewart Stuchbury, information management marketing manager for Digital, is to ensure disparate data types can be successfully transferred.

"We can now physically link systems together. To turn the data into information is one of the key challenges to vendors like ourselves," he says.

Although there is a widespread understanding of the concept of a global company, argues Mr Johnson, there is still not a coherent view in many companies of the role that information technology plays in supporting it.

He believes companies need a visionary executive at the top of the company to press the concept forward:

"Unless there is someone at the top of the company with that vision, it is difficult for companies to see where they will be in five years' time," he says.

He points out that some companies in the US and Canada are already realising the potential of computer networking, while in Europe the concept is still novel. One significant factor is that organisations can set up a wide area computer network in North America by dealing with just two telecommunications authorities.

In Europe, by comparison, a company with a presence in six countries needs to deal with six telephone companies in order to set up either a private network – using leased lines from the phone companies – or a network using public data services, such as packet switched networks.

Within many national organisations, however, computer networking is becoming more accepted for a variety of reasons.

It would be hard to find a medium-sized or larger company, for example, which does not have at least two types of computer systems installed – often IBM systems in the office for accounts and Digital Equipment for manufacturing systems. Digital Equipment has traditionally supported the Ethernet networking standard, while IBM and its followers favoured a different technology, token ring.

The need to get those two types of system to talk to each other has resulted in "internetworking", a mechanism to enable various networks to be linked together.

Companies such as Proteon of the US are pioneering this approach.

This need has been fuelled by a general shift, both in the computer industry and the perceptions of users, towards open systems. Open systems ensure that computers from different vendors can communicate with each other.

Perhaps more importantly there is a growing acceptance of the use of networked personal computers to replace larger mainframes or minicomputers, both because they are cheaper and because they give greater flexibility.

"A year ago PC networks were very much a departmental solution," says Mark Hollister, network programme manager for Hewlett-Packard. "All of a sudden all those MIS or DP managers are looking at the new powerful PCs and becoming interested in how they can use them instead of minicomputers."

Now, as more senior executives realise the value of networked computer systems, enterprise-wide rather than office-wide networks are the order of the day.

As a result the responsibility for selecting and installing computer networks is shifting back to the data processing manager from the departmental head.

The trend will intensify as more PCs are used in offices. According to Dataquest, the information technology market research company, there will be 19 million PCs in use in businesses in Europe by 1990, and 48 million by 1994.

Figures for the growth of PC networks are equally impressive. Market Intelligence Research Company of Mountain View, California, reports that worldwide revenues for PC Lan (*local area network*) products grew at a compound annual rate of 46.3 per cent between 1985 and 1988, and predicts that by 1995 the growth rate will still be 13 per cent.

One of the tasks the data processing manager will have to shoulder as networking becomes more widespread is that of network management: "It's all very well putting 40 to 50 people on a network, but if that network comes to a stop then you have a lot of idle people," David Taylor, industry analyst at Dataquest, points out.

As PCs become networked in the office and the international network begins to take shape, user demand is forcing technological change.

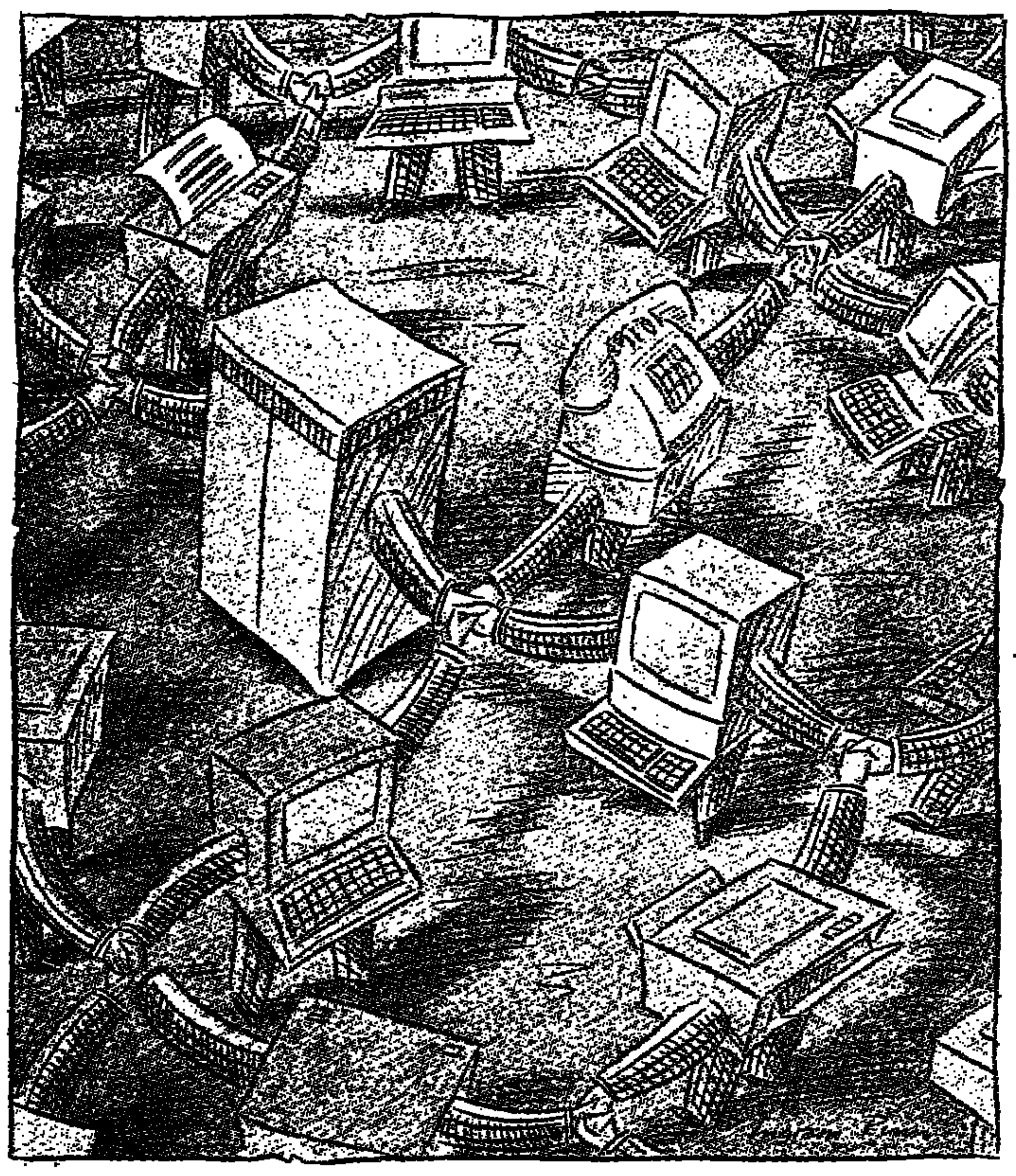
To begin with, the insatiable need of network wiring to occupy all the ducting under the floor and above the ceiling has meant that radio waves are replacing the traditional cabling.

This approach has been endorsed by the recent announcement from Motorola, the US electronics company, that it has developed a system that will allow office computers to communicate without wired links, using microwave radio signals instead.

Perhaps more significant is the development of wider bandwidth systems that could carry moving pictures and voice calls as well as data.

The standard which is looking increasingly set to dominate this market is that of FDDI – the fibre distributed data interface.

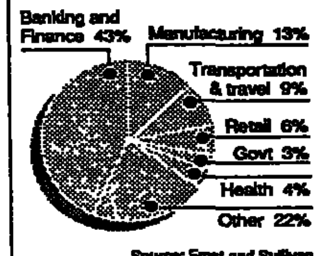
The FDDI protocol is now being adapted for use on twisted pair cable as well as fibre strands, giving a traditional local area network that can transmit data at a rate of 100 million bits a second – or the equivalent of more than four million words every second.



IN THIS SURVEY

Datacommunications equipment market in Europe, 1989

Total shipments : $2.03billion



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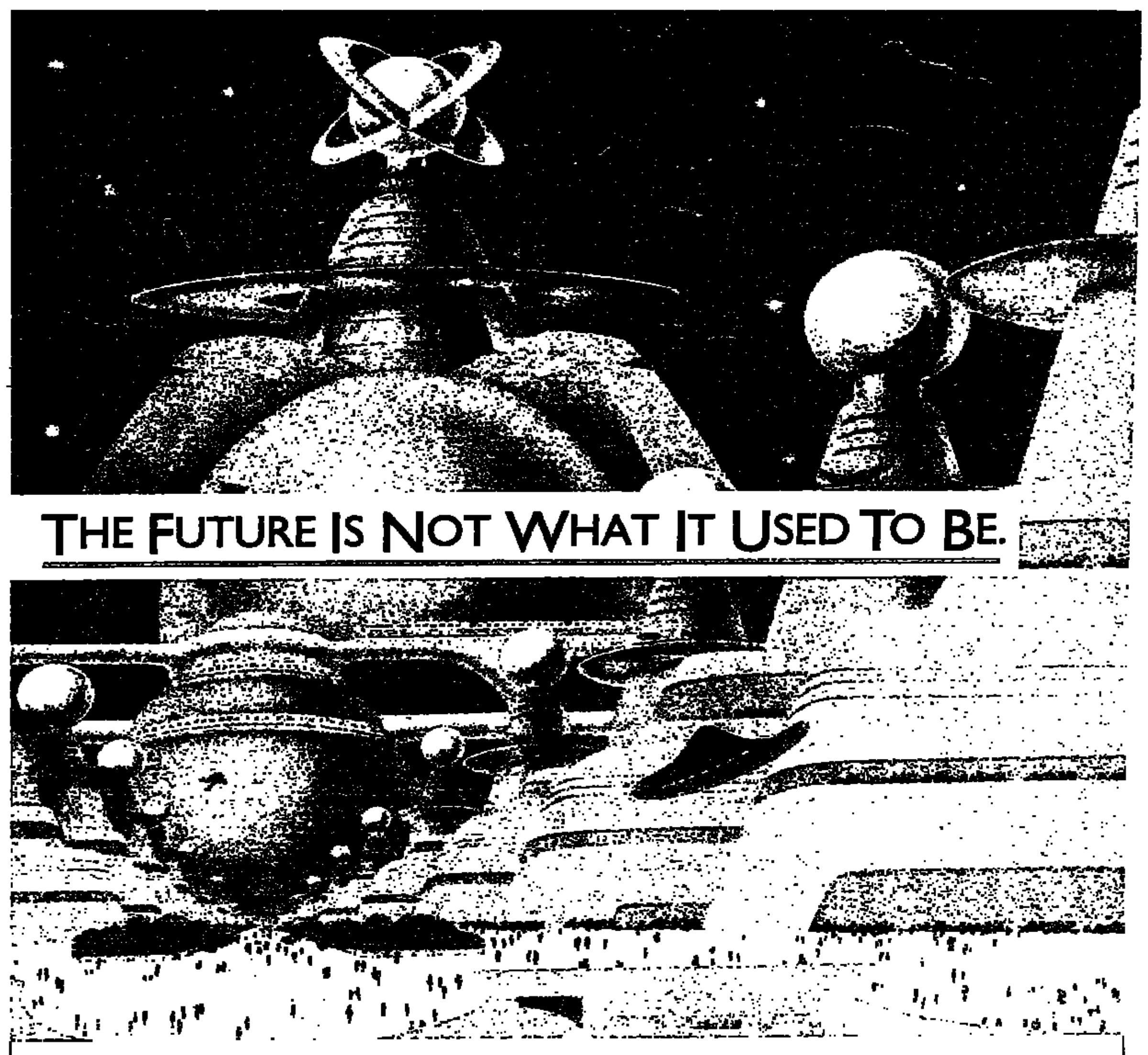


What happened to the crusade? asks **John Dwyer**

Manufacturers still need persuading

WHATEVER happened to General Motors' factory networking crusade? It is well over five years since GM's factory communications caravan reached Europe.

The crusade was on behalf of the Manufacturing Automation Protocol (Map), a communications system based on international standards. Map networks accept data from any item of factory-floor equipment and deliver it to any other, no matter who made either. It is matched by a communications standard for offices, called the technical and office protocols (Top). Top, like Map, is based on international Open Systems Interconnect (OSI) communications standards.

On present evidence, the crusade got nowhere. In the UK, if you leave out pilot projects and those in GM subsidiaries, the arithmetic skills needed to count Map installations would not tax a one-year-old.

Does this matter? Those who advocate networking Britain's factories would say that there are good reasons why few manufacturers have committed themselves to Map networks. Chief among these is that Map-conformant products have been hard to find. They add that, meantime, many companies have seen the advantages of networking and installed non-OSI systems. Once a company has made the case for networking, they argue, the case for OSI, Map, Top or whatever you call it, becomes unanswerable. Existing users will move to international standards in their own time.

The cynic counters that, firstly, the evidence for a rush by British manufacturers toward any kind of networking is invisible to the naked eye; and, second, that the evidence that manufacturers who have already installed networks have any incentive to swap to Top, the latest Map version (Map 3.0) or any other OSI-standard networks is on the same scale as the negligible evidence that the technology exists to make such a move.

Mr Paul Cheshire, of the information consulting division of the Sema group, has criticised some of the "string and ceiling-wax" demonstrations used to purvey the Map message. Now he is chairman of the European Map Users' group's steering committee. Mr Cheshire argues on the basis of the demonstration last month at the Systec exhibition that Map, Top, OSI and so on are now, for the first time, here and available. Expo participants included AEG, Allen-Bradley, Bosch, Bull, Digital Equipment, GE Fanuc, Hewlett-Packard, IBM, Motorola, Siemens, Telemecanique and Rolls-Royce's Reflex Manufacturing Systems offshoot.

How did the Systec demonstration differ from all the others? First, Mr Cheshire says it used neither string nor ceiling wax. More important, it marked Map/Top/OSI's transition to a mature technology. He notes that all investments in technology involve a calculation about the maturity of the technology. Is it "state of the art", which means you risk everything by committing your business to it? Or is it tried and tested, which means your competitors already have it?

Mr Cheshire believes that "Map 3.0 has achieved the balance". But he stresses that no

Whether to go for 'tried and tested' or 'state of art'

company is likely to make a case for OSI until the case has already been made for some kind of network, whatever its description. "Nobody in their right minds rips out a network that's working just to put in a new piece of technology, no matter how whizz-bang it is." But, once a company has made a case for installing a network, the case for making it an OSI network follows easily.

Mr Cheshire believes the case for networking has already been made in large organisations, where, say, the design and manufacturing activities are on different sites or parts of the same site: "In large and widely geographically distributed businesses there is no doubt that networks are very essential. Business simply wouldn't go without them."

At the other end of the scale, few small manufacturing businesses would profit from putting in a network, say, to link a programming terminal with a single machine tool. They will, however, find themselves under ever greater competitive pressure to set up links with their biggest customers. The links will be used for the routine exchange, first, of the order and invoicing information that now goes through the post and, second, design data.

Such interactions, called electronic data interchange (EDI), are already routine between large companies, particularly in the motor car industry, and their suppliers.

After that, even the small company will find, Mr Cheshire says, "the PC that he uses to accept EDI orders and the PC that he uses to drive his machine tool may magically become connectable one day".

Some companies are already reaping the benefits of networking. The Lucas, Gillingham, case study (right) is one example, but there are others. One is the Wiggins Teape Stoneywood paper mill near Aberdeen, which uses a combination of an AT&T Istel data collection system and a scheduler developed by Graycon, an offshoot of Imperial College London.

Both the Lucas case and a network at ITT Sealectro, however, show how other apparently unrelated developments in manufacturing also strengthen the case for networking in medium-sized companies. Manufacturers are moving away from the division of manufacturing activity into functions towards the provision of autonomous product-based cells. Each cell of perhaps six to 20 people treats the next as its customer. It is responsible for control of all the resources needed to make its part of the product on time and at the right quality. To do this, the denizens of each cell need detailed schedules, plus information about the location of raw materials, tools and fixtures and other data.

Many companies are finding that the best way to do this is to put each cell on a network and to provide the information on a screen. ITT Sealectro is an example. Its factory near Portsmouth employs 350 making a variety of connectors for the electronics and communications industry.

The factory adopted cellular manufacture two years ago and has cut its overall manufacturing cycle from averages of 16 weeks to eight or less. The adoption of the ACiT networked scheduling software co-developed in an Esprit project by BICC Technologies' offshoot Human Centred Systems enables members of the cell teams to optimise their workloads against resources to support reductions in lead times.

The provision of networked information to team-based cells like this shows perfectly how technology can multiply the benefits of cultural change. By itself, Sealectro's network would have made little difference. But it enhanced the cultural change that has transformed the factory's outlook.

New network links: At IBC Vehicles in Luton, the General Motors subsidiary which makes Bedford vans, the Data 3 manufacturing system from Hoskyns Insight is being used to link factory floor automation to customers and suppliers via an electronic data interchange

CASE STUDY: **Ian Bowman** examines open systems at the Lucas diesel factory

'The savings stare you in the face'

THE proof of open systems is in the operation. The term open systems here means networks which, like the Map and Top factory and office specifications, conform to the international "Open Systems Interconnection" (OSI) protocols. The number of OSI installations is still small, but it will grow; and the detractors of Map/Top and OSI will no longer be able to point to the small number of implementations as a reason for not installing open systems.

"If you question the need for open systems and standardisation, look around your office," says Dick Whittington, systems engineer at Lucas's Gillingham diesel factory. "We did, and the savings stare you in the face – different hardware, different operating systems, people waiting to get on specific systems."

Over the last ten years, Lucas' business has changed from a high-volume, low-variety production to low-volume high-variety cell type manufacturing. This meant an increase in the number of intelligent devices on the shop floor: machine tools, measuring machines, personal computers and so on. Accordingly, the volume of data transferred also increased.

To support this change, the company decided to investigate new networking technologies. It was particularly keen to install multi-vendor systems.

It become obvious very quickly that the biggest hurdle to implementing open systems was the lack of suitably experienced people. So Lucas joined a collaborative project involving ICL, Leeds University's CIM Unit and British Aerospace. In 1988 the collaboration won funding from the Department of Trade and Industry.

The key project aim was to

'It is shorter lead times, better quality, and increased profits that matter'

identify the business benefits of open systems. Technical feasibility, although important, took second place. As Barry Chittock, OSI manager at Lucas, points out, it is shorter lead times, better quality, and increased profits that matter, not whether the company network runs Map protocols over a broadband cable.

Obvious though Mr Chittock's point is, the network has driven the project in too many implementations. Carl Clarke of Leeds' Cim Unit agrees: "The first step should be to define data flows. Although no one can be sure where data might be needed in the future, the analysis of what data is flowing where helps quantify the problem." At the simplest level this could just serve to separate the information that must reach its destination immediately – control information – from information that may be allowed to take longer.

Various methodologies are around which help translate this analysis into recommendations about hardware and software. One is the structured system analysis and design methodology (SSADM). ICL is familiar with SSADM, so it was used for the Lucas project.

The tool does not matter. What counts is that the structure is rigorously applied to the data gathering and analysis tasks. Says Mr Whittington: "At each step (through the methodology) we examined the existing and proposed systems, modelling the data flows and predicting the amount of network traffic that would be generated by each individual system. This gave a clear picture of the deficiencies in existing networks with reference to future expansion and was essential in specifying a migration path for future hardware."

It is no part of the analysis to make a case for open systems. Even so, the business advantages of opens systems are clear, according to research by BAeCAM, systems off-shoot of British Aerospace. BAeCAM says that, once the general financial justification for a network has already been made in a company's general IT strategy, open systems present further identifiable one-off savings in installation time, development costs, purchase of gateways and acceptance testing. In addition, repeat savings could be expected in training, staffing and maintenance.

Technologically, there are still question marks against open systems. Although the Lucas system is up and running using broadband cabling, Map 3.0 and the manufacturing message service (MMS), there are still too many patches in the system to make it usable in a financially critical production line environment. But for areas such as sample manufacture, the financial risk is minimal.

Recognising the limitations of open systems means OSI can be planned as future upgrades. Mr Clarke says: "Let the venders take the strain and migrate with them."

Such a strategy is planned into the Lucas system. Originally, Top should have been used to connect Cad systems and office computers, with a bridge to the Map network. Due to the failure of one vendor to make available the necessary Top product, the proprietary "TCP/IP" protocols were used. Lucas will upgrade to the open standard when this becomes practical.

Quite rightly, vendors have taken criticism over commitment to open systems. But Mr Chittock says attitudes are changing. "We have signed several non-disclosure agreements and are heartened by what vendors are saying about OSI."

Mr Whittington and Mr Chittock, like most members of manufacturing's open systems community, are firm supporters of Map's MMS protocol. Technically, MMS is the key to the open systems dream of multi-vendor working. It enables shop floor devices to communicate through a standard set of messages.

Welcome though this is, MMS has other less well realised business benefits. Because the MMS services used to communicate with intelligent devices are standardised, software written to communicate with one machine can be re-used. This cuts down development costs. Also the support and maintenance problem is relieved because staff do not have to cope with a variety of languages and protocols, and the chances of hiring staff already trained increase.

MMS's importance extends beyond its association with Map. Says Mr Whittington: "Using MMS as a standard for information gathering makes future integration far simpler."

Networking is big in financial services. **Andrew Lawrence** reports

The leading edge of technology

IN MOST developed economies, the financial sector is the biggest consumer of telecommunications services and of voice and data networking equipment. Retail and merchant banks, stockbrokers, insurance companies and building societies all rely heavily on networking technology. The use of automatic teller machines, building society passbooks and credit cards is every bit as dependent on efficient telecommunications networks as the highly computerised financial markets.

The use of local area networks (Lans) for local office computing has been coupled with growth in wide area data networking (Wans) between geographically separate locations.

Wans were once confined to the largest institutions, with the spending power to invest in private networks of leased lines, but this has now spread throughout financial services. Even the smallest links in the chain, the independent financial intermediaries, use third party operated value added network services, which they dial up using personal computers, to exchange policy information and client details.

In spite of their many years of experience in running large computer centres and networks, however, financial services companies have not reached the point where they can regard telecommunications as a routine back-office function. The technology is continually developing, as are the line capacities, the tariffs and the regulatory environment. The effective use of all types of information technology, of which data networking is a dynamic part, is central to the business strategy of all financial institutions and in most companies is managed accordingly.

The difference between the financial sector companies and other business network users is largely one of degree: there is nothing unique in the equipment or services they require or the way they use it. However, financial companies are so heavily dependent on computer networking that they frequently require leading edge technology. In their different ways, the international banking networks such as Swift, many of the local area networks in use in the city, and banks' automatic teller machine (ATM) networks have all been projects of some magnitude involving the latest networking technology.

Many of the the most impressive Lans can be seen in the City. An example is the new Lan, supplied by Case, being installed at the new Farringdon offices of Smith New Court, the market-makers. According to Mr Philip Andreae, consultant and project manager, the voice and data network, which uses open system interconnection (OSI) principles, will link more than 1,000 locations, more than 350 of which are dealers requiring up to seven network connections.

The network will be used to link desktop terminals and

An essential feature of the network is that it must not fail. Because of this, it is 'triangulated'

workstations to computers supporting applications such as position keeping, deal-capture and back-office automation and reporting. It has features built in to provide a high level of resilience against failure.

An example of the use of Wans is at Gartmore, a medium-sized company which manages unit trusts and funds for commercial and private clients. The company is spread over three sites: a dealing and fund management centre in the City, a money management company in Southwark on the south of the Thames, and an administrative centre out of London, at Brentwood in Essex.

The fund managers based in the City of London do most of their dealing over the telephone, but they require frequent voice and data access to the Brentwood offices, where IBM AS/400 minicomputers running the unit trust and portfolio management systems are sited. For this purpose, a private voice and data network based on high-speed British Telecom Megastream lines has been installed.

The Megastream lines support 30 simultaneous channels, each capable of transmitting 64,000 bits of information a second. At each site, powerful fail-safe multiplexors, supplied by Case, the telecommunications company, enable many devices to share the same lines simultaneously and to make the best use of the available channels.

An essential feature of the network is that it must not fail. Because of this, it is "triangulated" so that the line between two sites goes down, the traffic can be routed via the third site. This happened earlier this year when workmen accidentally dug up the cables between London and Brentwood.

Because Gartmore believes it is wise to use more than one network supplier, it is considering using Mercury microwave links between Brentwood and one of the London offices. Already, outgoing calls are routed through the cheaper Mercury public service.

The retail finance sector is no less dependent on networks, and even the smaller institutions are starting to invest heavily. An example is the Portsmouth Building Society which has just installed a new network to link its 20 branches to its head office in Portsmouth.

Mr Roger Spiers, Portsmouth building society communications manager, describes it as a large strategic investment which is unusual for such a small building society. "We're using state of the art networking technology which will take us into the next century."

The building society, which manages its customer accounts on ICL mainframe computers, is using British Telecom's X.25 package switching service (PSS), with data communication equipment supplied by Racal, to carry the traffic between the branch PCs and the head office computers. This means that private leased lines are used between each of the branches and the nearest PSS node.

After this, PSS finds a fast, low cost route through the telecommunications network and through to the private links to Portsmouth.

According to Mr Spiers, network resilience is an important feature because key account information is all stored centrally for access from any branch.

One of the strengths of PSS is that it can always find alternative routes if there are line failures. If a private line to the branch should be cut, the branch computer will sense this and automatically establish a

In the '90s the financial sector will continue to be the proving ground and the leading market

slower dial-up link to the PSS network. If the mainframe computer fails, the branch computers can carry on independently, although offering a reduced service.

During the next decade, the financial sector will continue to be both the proving ground and the leading market for network suppliers as the use of computers and the sophistication of the systems in use increases.

The most dramatic changes so far have been seen in the financial trading markets, but insurance, personal finance and retail banking have already been identified by the suppliers as potentially huge markets.

هكذا منزل الأصل

Communications protocols mean creating systems compatibility is not easy, writes **Boris Sedacca**

Setting international guidelines is tough

THERE IS a commonly held misconception that adherence to Open Systems Interconnection (OSI) allows different computer manufacturers' systems to talk to each other.

OSI does not create such compatibility because IBM and ICL products, for example, are both OSI compliant but rely on totally different communications protocols — SNA and CO3. "You have to stand back and look at what the International Standards Organisation (ISO) is trying to achieve, because it is a horrendous task," said Mr John Earley, marketing manager at Jaguar Communications.

"OSI kit is being sold, sometimes under the illusion that it provides compatibility. It does not, but it will make it easier to do so in the future."

ISO's 7-layer model for OSI segregates different computer processes. X25 covers the first three layers. It gets the data across, but IBM X25 does not necessarily connect to ICL X25. "IBM can be OSI compliant and still be proprietary," Mr Earley added. "It depends on the interpretation one puts on a standard."

X25 allows use of one common telecommunications network instead of setting up separate ones for each manufacturers' equipment. The London Borough of Hackney for example uses ICL equipment in its housing department, and McDonnell Douglas equipment in the library.

All systems share the same private leased line network but not necessarily from ICL to McDonnell Douglas. Without X25 the council would have had to build separate networks.

OSI has been pushed largely by government and the public sector. The framework for OSI standards development was set out in the late 1970s. Several governments, including those of the UK, the US, Europe and Japan, have selected subsets, or profiles, of the base standard tailored to specific sectorial applications and have requested conformation to these profiles in competitive tendering.

OSI has been pushed largely by government and the public sector

Legislation such as the European Community's directive 87/95, requiring conformation to OSI in all competitive IT tenders over Ecu100,000 (£69,700.00) has put pressure on IT suppliers to conform to these profiles. As standards develop, the market becomes more complicated and the choices in the OSI scheme become more varied.

While standards are meant to eliminate unnecessary choice, some choice will always remain, and the way through these choices is still the functional standards or profile. In the UK, the Government OSI Profile (GOSIP) was laid down by the Central Computer and Telecommunications Agency (CCTA).

GOSIP is intended as a guide for civil servants commissioning systems and to suppliers tendering for those contracts. But adherence to OSI standards is not applied evenly throughout the European Community.

In Germany for example, there was an attempt to make an obligation to OSI to be embodied in law, worded as follows: "The Federal German Post Office shall ensure that the OSI standards drawn up jointly and voluntarily by interested companies and organisations are observed for the purpose of ensuring that the ability to communicate exists even at the service level."

This request has failed so far to achieve a majority. "There is a degree of consent in Germany over the use of standards, but the question is how much or to what extent the process should rely on regulation or be left to market forces," said Mr Peter Paterna, member of the German Bundestag and chairman of the Committee on Postal Services and Telecommunications.

Speaking at the Open Systems Symposium for European Government sponsored by NCR in Berlin earlier this month, Mr Paterna said: "We should continue our efforts to get such obligations accepted both nationally and internationally."

Another speaker, Dr Dieter Konig, head of development for new information architectures at the European Commission added: "Open systems is no heaven because the responsibility for integration between a system's various building blocks is no longer with just one manufacturer.

"If there are stable, well defined standards, then integration is easy. Otherwise it can be costly. This is where systems integrators will come in."

According to the EC's Guidelines for an Informatics Architecture, the present lifespan of hardware is about five years. For software it is about 15 years and for information systems about 30 years.

At the same time, application software is migrating from central to local and personal computers. In order to safeguard the investment in applications, it is necessary to have a stable platform to build upon: the common application environment.

To support distributed processing as well, this platform should be kept the same for central, local and personal computers in order to keep the cost of skilled engineering down.

The operating system has a key role here and must assure connectivity, portability and scalability in a fast moving technological environment. The OSI model has been the basis for connectivity standards since 1980 and some progress has been made since then.

For portability the Unix operating system is the de facto standard with increasing acceptance, but the Unix-based Portable Operating System Interface (Posix) only reached the de jure status for a subset in 1989.

X/Open specifications for a Common Applications Environment, supported by a sufficiently large number of computer and software vendors, have helped to close the gap. Connectivity and portability have too long been considered as unrelated standards activities.

Both need the operating system for implementation and therefore require a co-ordinated approach. Most of the communication software covering OSI layers 1 to 4 is now ready for packet switching data networks and local area networks (LANs).

The use of an agreed, general purpose and truly open networking architecture to which all suppliers conform offers undoubted advantages.

In the mid-1980s, General Motors started its own programme to define a procurement strategy for factory automation systems based on OSI, which was called the Manufacturing Automation Protocol (MAP).

As standards develop, the market becomes more complicated

The main benefit which was cited by GM for specifying MAP support was that it could build networked factory systems by mixing products which came from different vendors.

A couple of years later, Boeing Corporation introduced its Technical Office Protocol (TOP). TOP performed the same function as MAP in specifying protocols tailored to a design office environment. Since then MAP and TOP have become linked and are now managed as co-ordinated specifications.

MAP is the most contentious, having become embroiled in the usual standards setting controversies. MAP holds out the promise of manufacturing integration through uniformity of information flow but being criticised because of the disagreement between its main sponsors: General Motors, IBM, Digital (DEC) and Hewlett Packard.

When MAP release 3.0 was announced, the network vendors applauded but also stepped up the marketing of their existing, non-compatible networks. New more powerful computing platforms were introduced that tied the customers even more tightly to their proprietary networks. In versions prior to release 3.0, the MAP standard contained some proprietary components.

MAP also had a reputation for advancing fairly rapidly from release to release. But hardware manufacturers could hardly provide seamless compatibility if the meaning of compliance to MAP changed so frequently, and software vendors found that early versions of MAP left it to the manufacturers to decide how to communicate with their application programs.

PROFILE: Fibronics

Experiment stands test of time

FIBRONICS IS a company which believes it has moved ahead of the market in the application of fibre optics for computer networking and is riding a wave of demand for the new networking standard FDDI, or fibre distributed data interface.

It was set up more than 10 years ago by its parent, the Israeli company Elron, in order to explore the potential of fibre optics in computers. Now Fibronics is widely spread around the world, employing some 450 people, is quoted on New York's over-the-counter market and has its headquarters in Massachusetts.

Much of its R&D and manufacturing remains in a high-technology industrial park just south of the port of Haifa, Israel. As it expands its markets around the globe, however, company executives like to stress its international nature.

The past two years have seen the original somewhat tentative move into fibre optics that Fibronics represented begin to pay off in a big way. Profits in the first half of this year were close to $2m on sales of $28m. This compared with full-year profits in 1989 of $2.5m, which in turn represented a threefold increase on the previous year.

The past two years have seen the move into fibre optics pay off in a big way

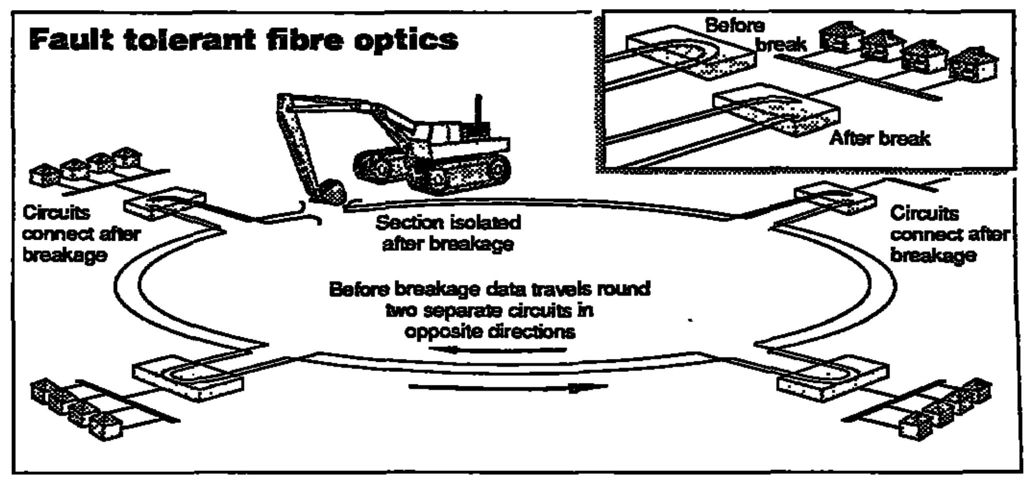
Driving much of this growth is Fibronics' commitment to local area networking and FDDI in particular. "The network," says Mr Moshe Levin, Fibronics' marketing head, "is the computer."

Fibronics took a decision to back FDDI in 1986, not long after a committee of the Institute of Electrical and Electonics Engineers began working on the new standard. Its own man, Mr Donovan Mierop, the company's R&D chief, was on the committee and Fibronics committed what were for it large personal and financial resources into developing the kind of products that would be able to fit the standard.

Although not yet completely defined formally, FDDI is emerging as a fast-growing choice for commercial and other institutions looking to improve and expand their computer networks. In large part thanks to the use of fibre optics, FDDI offers much greater distance, speed and reliability to the user than systems based on the main conventionally-cabled Ethernet and Token Ring standards.

Fibronics firmly believes it is the standard for the 1990s and beyond and is currently the market leader in providing FDDI solutions. Mr Levin points to a recent announcement by Digital of a range of products compatible with FDDI as firm evidence of the establishment of the standard.

The range of installations completed by Fibronics now covers establishments as diverse as academic campuses and the complex network of on-course and off-course betting systems run by the Hong Kong Jockey Club. Fibronics aims to provide a wide span of applications, from bottom-up installation of FDDI "backbone" networks through to hybrid products which can bridge on to and adapt existing networks which require enhancement.



Customers this year include the headquarters of Shell's French operation and networks for British Airways and Scandinavian Airlines at, respectively, London's Heathrow and Stockholm's Arlanda airports. What each of these is seeking from an FDDI network is faster, more reliable interlinking of their numerous and varied workstations, often over growing physical distances.

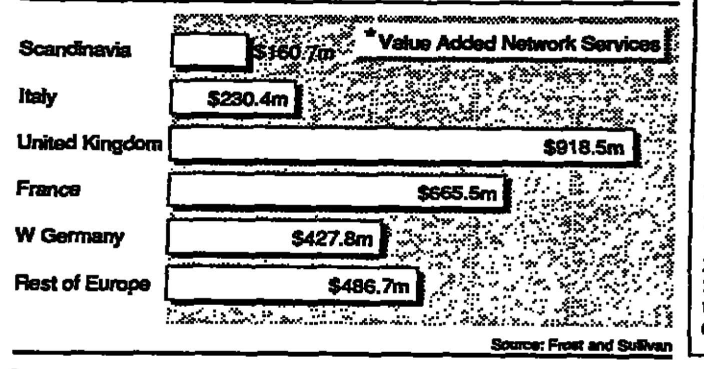
As Fibronics watches other companies, which were not in so early on the FDDI act begin to catch up, it is looking to strengthen its position in specific niches to maintain its position. Recently it introduced a new product called Work Station Communications Server which connects workstations directly to FDDI systems — and other older standards — at what Fibronics claims is much lower prices than previously available.

Fibronics began as a kind of experiment to test the future of fibre optics in computers. A decade later it is in no doubt that fibre optics are becoming dominant. "Now its a question of how long it takes for the fibre to take the place of other media," says Mr Levin. "In five years, fibre will also run from your desk to the wall plate in place of the twisted pair."

Hugh Carnegy

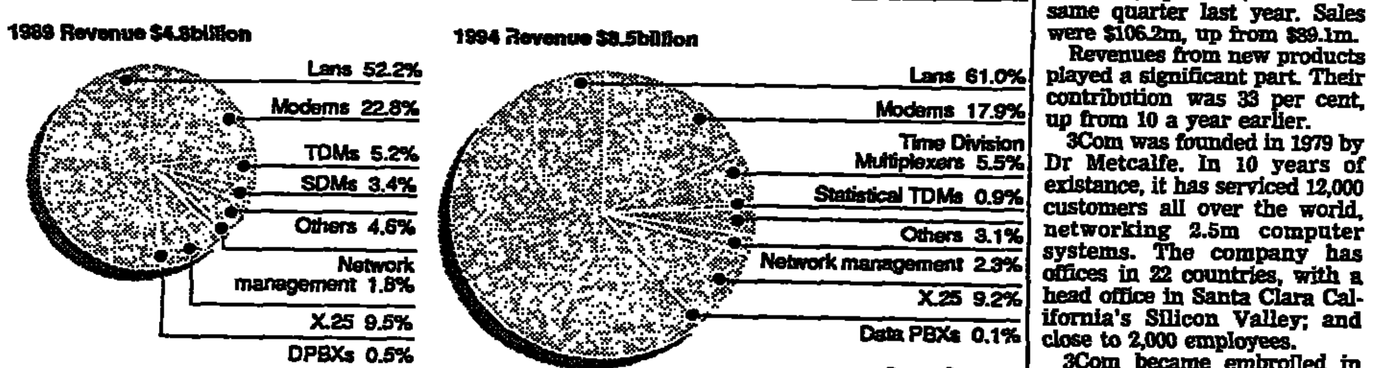
Dealers at the Stockholm Stock Exchange use a specially designed data network that ensures they all receive updated information at the same instant

The market for VANS*, 1989



Source: Frost and Sullivan

European datacommunications market



Source: Dataquest

PROFILE: 3Com

In the business of compatibility — if that's the demand

IN THE computer industry, the saying goes, the only thing that is constant is change.

The winds of change have lately blown rather cool for one of the industry's network specialists, 3Com. While never losing profitability, 3Com recently has had to examine its strategy and redirect its efforts to what it does best.

Founder Dr Robert Metcalfe, a principle inventor of the Ethernet networking standard that forms the core of 3Com's business, and Howard Charney, a close cohort, left the company early this year. With a renewed management team, headed by president and chief executive officer Eric Benhamou, 3Com has restructured and refocused its energies for 1991.

"3Com, the name, came from Computer Communication Compatibility. The company was born upon a belief in standards," said Paul Trowbridge, 3Com UK marketing manager.

"The end user community is better educated and now has come to appreciate this. A lot of the large organisations are now having to make some tough strategy decisions on networking.

"We are finding in the corporates and large accounts that networks have grown in an uncontrolled environment at departmental levels. Now things are getting much more connected together, people are taking a long serious look at what they want to do strategically with networks, and that is where standards become more and more important.

"We are well positioned in the market today to take advantage of what is happening in the user community to service those needs."

In the year ended May 1990, 3Com's sales grew by 9 per cent to $419.1m over fiscal 1989,

'People are taking a long, serious look at what they want to do with networks'

but profits declined to $20.5m from $34.3m the previous year. The result was lower in fact then the profit posted in 1987, ending the progressive and significant rises in profitability begun in 1985.

The decrease in profitability was attributed to a change in 3Com's business strategy, according to Mr Benhamou. Specifically, 3Com had tried to build upon its networking expertise by entering the highly competitive network PC business. The lesson learned, 3Com has vowed to return to its roots.

First quarter results for fiscal 1991 appear to signal a change of fortune. Net income was $5m, up from $1.7m in the same quarter last year. Sales were $106.2m, up from $89.1m.

Revenues from new products played a significant part. Their contribution was 33 per cent, up from 10 a year earlier.

3Com was founded in 1979 by Dr Metcalfe. In 10 years of existance, it has serviced 12,000 customers all over the world, networking 2.5m computer systems. The company has offices in 22 countries, with a head office in Santa Clara California's Silicon Valley; and close to 2,000 employees.

3Com became embroiled in the controversial Lan Manager local area network (Lan) operating system based on OS/2 and developed by IBM and Microsoft in 1987 and 1988. Initial releases of the product did not fulfil customers' expectations, and deteriorating relationship between IBM and Microsoft affected sales of 3+Open, 3Com's version of the software.

A competitor, Novell, continues to dominate the market in spite of the combined efforts of 3Com's Microsoft and IBM.

Because of the connection between 3Com and Lan Manager network operating system, 3Com is often seen as a smaller company than it really is.

"The perception in the market was that 3+Open was everything to 3Com, as Netware was everything to Novell. People lost sight of the true 3Com, which has a product range from adaptor boards through to X25 inter-networking and network management solutions.

"They saw us with 3+Open, made a comparison to Novell, saw that Novell got 70 per cent of the market, so therefore 3Com must be a small company since it only has a small market share.

"3Com is as big as Novell but more diversified," said Mr Trowbridge.

"We are not an operating system company. Novell is. Its bread and butter is Netware, which is an operating system. Microsoft is an operating system-based company with DOS, OS/2 and Lan Manager."

In fiscal 1990 sales of software, hardware, workgroup servers and workstations accounted for 28 per cent of 3Com's revenue. Inter-networking products represented 20 per cent of the turnover, while the lion's share, 52 per cent was generated by PC adaptor cards and wiring products.

Recognising the leadership of Novell in networking operating systems led 3Com to announce support of Netware, Novell's operating system, on 3Com file server systems.

3Com also sells software to allow workstations to communicate simultaneously with Netware and Lan Manager servers.

Another product, 3+Open Connection for Netware, allows both Netware and Lan Manager systems to operate on a single network.

"Why Netware connectively from 3Com? Simple," said Richard Joyce, 3Com European MD. "We are offering products that promote the sharing of resources and data applications among Netware and Lan Manager users. 3Com listens to its customers and incorporates their feedback into new products directions and strategies."

3Com has also announced partnership with IBM to define a set of Network management specifications for mixed local area networks. Although selling only Ethernet solutions itself, 3Com has come to recognise the presence of IBM's proprietary Token Ring system.

The company has also worked with IBM to bring Ethernet connectively to IBM's OS/2 operating system.

"MIS managers struggling to integrate worldwide computing networks are confronted with a lack of effective tools to manage heterogeneous Lans," said Les Denend, 3Com executive vice president of product operations.

The aim is to supply seamless and efficient company-wide networks

"Recent research shows that almost a fifth of installed networks include both Ethernet and Token Ring networks in the same corporate environment."

The co-operation between the respective leaders in Ethernet and Token Ring products will help both their customers by supplying seamless and efficient company-wide networks.

"3Com's mission is to simplify the complexity of data networking for our customers," says Chris Anderson, UK product marketing manger. "Part of the approach is a standards-based, multi-vendor solution taking advantage of the best solution available."

"One of our new president's first tasks was to lay out 3Com's identity and purpose," said Mr Trowbridge. "3Com is a leading global, independent data networking company with emphasis on the issues of being independent. We think that is important because we add value when we are in a multi-vendor situation and tie things together."

3Com's energy is now being used to add value to market leading standards instead of being wasted on mindless competition. In networking, compatibility is king.

Paul Lavin

Philip Manchester looks at Unix and OS/2

The multi-user system remains the mainstay

THERE are only two ways to distribute computer power in the business environment. One way is to connect lots of small computers to a central mainframe system in a network. The other is to attach "dumb" terminals to a powerful central computer and share its resources by using a special operating system.

Although the networking approach has received the most attention over the last decade, the "shared" machine or multi-user system has been around much longer and still remains the mainstay of large-scale data processing applications.

IBM's 370 mainframe systems work on this principle, as do many other mainframe and minicomputer manufacturers' equipment.

In the 1980s, as microcomputer technology has grown more powerful, there have also been moves to bring the multi-user approach to these systems. In particular, the arrival of Intel's 80386 chip technology and IBM's PS/2 introduced an architecture comparable to larger systems. It could address and control much larger memory sizes, support many more devices and removed the technical limitations of earlier microprocessors.

These technology advances have made it possible for companies like IBM, Compaq and Olivetti to produce microcomputer-based systems which are comparable to small mainframe computers in power and function.

The key to these multi-user systems are the operating systems, which share out the central computer's resources and take care of system control problems. In applications such as flight reservation systems or a cash-point banking, these problems are complex and demand clever and efficient software.

Not only must the operating system carry on multiple conversations with its terminals, it must ensure that data is protected, that applications do not interfere with each other and, most important, it must do these things quickly. Terminal users do not like to be kept waiting and the so-called "response" time from the central computer must be acceptably low.

Multi-user operating systems were developed first in the mainframe environment (IBM/OS among others), evolved with the arrival of minicomputers (DEC/VMS and Unix are the most notable) and, since the mid-1980s, moved to what are generally called personal computers.

But, although they use personal computer technology, these systems have more in common with their mainframe and mini predecessors.

The early personal computer operating systems — CP/M and MS/DOS — were not suited to the task of turning a personal computer into a multi-user system, which led to the search for a new kind of operating system for microcomputers.

Unix, developed originally for DEC minicomputers at AT&T's Bell Laboratories, was an obvious candidate because it already contained much of the infrastructure required for multi-user computing. It is also very flexible and easy to re-engineer for other computer systems.

But Unix also has its limitations. It has an old-fashioned user interface, it requires a lot of additional low-level software to build applications and has become a political issue

Both Microsoft and IBM saw OS/2 as a natural replacement for MS/DOS

between IBM and AT&T.

In 1987, IBM announced that, together with Microsoft, it would build OS/2, an entirely new operating system for its PS/2 and a complete break with the established MS/DOS system for personal computers. IBM hoped to gain an edge on the so-called PC "clone-builders" to which it was losing ground in the personal computer market.

Both Microsoft and IBM saw OS/2 as a natural replacement for MS/DOS which was not only unsuitable for multi-user computing, it was also severely stretched by the new demands of single user computing. The need for greater memory sizes, graphics and more power had made MS/DOS obsolete.

OS/2 aims to offer the same control functions and multi-user capabilities as Unix in addition to exploiting the full power of the new chip technology. It also seeks to put right many of Unix's limitations — especially the user interface.

OS/2, like Unix, has also become a political issue — this time between IBM and Microsoft. IBM wanted to keep OS/2 to itself because it wanted to lock out the competition. Microsoft wanted to sell it to everyone else because that is how it makes money.

Both companies have buried their differences and appear to have accepted the reality that OS/2 will not replace the bulk of MS/DOS systems in the foreseeable future.

A recent survey of UK corporations, conducted by Datapro for the UK trade paper Computer Weekly, shows that acceptance of OS/2 is still low. OS/2 was the main operating system in only 1 per cent of cases and only a further 14 per cent expect to install it in the next three years. A massive 58 per cent thought it was unlikely that OS/2 would ever be their main operating system.

These figures would seem to be good news for Unix. But the same survey showed that only 9 per cent of UK users had Unix as their main operating system. And 53 per cent said that it was unlikely that Unix would become their main system.

This does not mean that the battle between OS/2 and Unix is over by any means. Both systems have much to offer and exploit modern hardware architectures far better than MS/DOS can.

They also provide the means to exploit low-cost microcomputer systems to their fullest and provide the alternative of a multi-user system.

Microsoft has continued to develop MS/DOS and, with the Windows 3 interface, has pushed MS/DOS firmly in the direction of OS/2. Windows 3 not only brings the advantage of a Macintosh-style interface to MS/DOS computers, it also brings much of the infrastructure of OS/2.

Phil Buggins of Microsoft UK says this means that applications developed for Windows 3 will run on future versions of OS/2.

"A couple of years ago we were naive and thought that OS/2 would replace MS/DOS. But now we see the two as part of the same family, with Windows 3 as the bridge," he says.

OS/2 also includes components to accommodate multi-user systems within a computer network which opens the prospect of a third way to distribute computer power.

Companies plan more aggressive marketing

Promising service is little understood

OF ALL the computer networking technologies in use today, none has offered so much and delivered so little as the Integrated Services Digital Network (ISDN).

Research has shown that business awareness of ISDN is low, the technology is little understood and it is used still less. Yet proponents of ISDN argue that it is a vitally important technological development which could rank alongside the personal computer in terms of the effect it has on business.

The ISDN service, first introduced in pilot form in the UK in 1985, is simple but little understood. In place of the traditional non-digital switch at the public telephone exchange, the subscriber is provided with a cluster of digitally switched circuits which operate at vastly higher speeds than existing telephone connections. This digital line can then be used for both data and voice services.

Two types of service are now available in the UK: a primary rate service, offered by both British Telecom and Mercury, incorporates 30 high speed digital lines and is mainly used to link private telephone exchanges to the public network; and a basic rate service, offered by BT since early this year, consisting of two high speed digital connections and a signalling line. Similar services are available internationally using the same technical standards.

The promise of ISDN lies in its several advantages over rival methods of computer communication. Until ISDN became available, users had a choice of using slow dial-up modems to send data over the public switched network, or of leasing lines, at considerable expense, to establish direct high-speed point-to-point digital connections.

Although ISDN is not as fast as a private digital line, it is the only realistic option for high-speed ad-hoc connections over the public network. "The key to ISDN lies in its flexibility and cost," says Mr Luke Broome, product manager of Mercury's 2100 Primary rate service.

The ability to mix data and voice on the same network is a key attraction of ISDN. It means that separate computer and voice networks can be effectively merged both within and between organisations. Wide area computer-to-computer links can be established at the touch of a few buttons.

However, even the staunchest proponents of ISDN are concerned that so few companies have shown any interest in ISDN-based data networking. Mercury, with the equivalent of 20,000 telephone connections installed, has about half the UK market for primary rate ISDN connections. But Mr Broome admits that almost all of these lines are simple voice connections between private telephone exchanges to the public network.

Hopes that ISDN would make a big dent in the corporate networking sector are beginning to fade. "Our view is that it is going to be a niche market," said Mr Tony Richards of Case, a leading UK supplier of telecommunications equipment.

Most corporate computer users already have high-capacity wide area network connections using circuits leased from either BT or Mercury, and the trend is towards using higher speed connections, not slower ones. "ISDN is too slow. All the impetus is towards faster networks," says Mr Richards.

He believes that the B-ISDN,

The ability to mix data and voice on the same network is a key attraction

a high-capacity service being developed under the wing of the European Commission, may be of more interest in the long-term, even though this will involve the laying of new broadband cables to replace existing telephone lines. Other alternatives, such as high speed packet switching services, may diminish the importance of ISDN in corporate networking still further.

The prospects for the basic rate ISDN service appear to be much brighter, but the UK has fallen a long way behind France and Germany in implementing and selling the service. The reasons are not technical, but commercial. "It is purely marketing. ISDN must be sold as a tool or an application. BT has not been going to customers to ask what it can do for them, but France Telecom and the Bundespost have. They sell applications, not a service," says Mario Devargas, a senior consultant with the NCC.

The potential applications of basic rate ISDN are many and exciting and, because its entry cost is low compared with expensive leased lines, it should democratise high-speed wide area networking and bring it within the reach of even the smallest firms.

Among the applications either possible today or envisaged for the near future are high speed Group Four facsimile, videoconferencing, direct computer access to text, image and graphics databases and integrated voice and data networking. In addition, the digital connections are of such good quality that they could be used to drive a hi-fi system.

Part of the reason why take-up is lower in the UK than elsewhere in Europe is price. In the UK, BT is determined to make profits from ISDN, while the French and German PTTs have concentrated on building up a user base.

In the UK, a basic rate ISDN connection is £400 and the quarterly rental is £84. In Germany, it is the same as a normal telephone service, DM130 (about £45 per connection and DM74 (£25 per quarter).

Most telecommunications analysts believe the UK market for ISDN must eventually take off because ultimately it will be no more expensive for BT to provide than a normal telephone connection. At the moment, however, customers and equipment and service suppliers appear willing to bide their time. "It has not taken off in the way that everyone thought it would a few years ago. There are virtually no products available and I have never come across a user," said Mr Peter Simpkins, a senior consultant with Logica.

According to the Cambridge research company Analysys, BT has concentrated too much

Part of the reason why take-up is lower in the UK is price

on data networking for larger businesses. In its report, ISDN: The case for Basic Rate, it found that most small and medium enterprises would benefit from the use of ISDN.

Equipment suppliers who are waiting for the market to develop are making a mistake, it says. Although ISDN will be most useful when there are are groups of users (as with the telephone), the suppliers should be able to sell equipment and be targeting communities of interest based around a particular industry sector.

There are signs, however, that the market in the UK is beginning to stir. Personal computers can now be adapted to connect directly to ISDN services using plug-in cards from suppliers such as Gandalf. And the telecommunication and computer equipment suppliers such as Ericsson, STC, GPT, AEG and IBM now have products available. A videoconferencing system is available from the data communications company DCE.

BT also has plans to be more aggressive in its marketing. It wants to install 90,000 basic rate ISDN connections by 1991, and intends to launch and promote a series of ISDN products and applications which are of immediate use to the customer. Mercury, which has hitherto concentrated its efforts on the more lucrative corporate end of the data networking market, will also start offering a basic rate ISDN service.

Over the past few years, conference halls have been hot with the debate over whether ISDN will ever take off; "Innovation Subscribers Don't Need" is a popular rephrasing of the ISDN acronym. Despite its slow start, however, the medium and long term need for a high speed publicly switched digital service is undeniable and demand for the basic rate ISDN service should rise dramatically over the next decade.

Andrew Lawrence

The European market for ISDN, 1988

Investment in preparation for ISDN ($m) / ISDN-specific investment ($m)

	Investment in preparation for ISDN ($m)	ISDN-specific investment ($m)
Countries in Southern Europe	0.3	642
Countries in Central & N Europe	0.3	1,066
Scandinavia	2.3	2,050
Benelux	1.9	1,562
United Kingdom	82.5	4,054
Italy	5.3	2,880
W Germany	23.0	4,610
France	16.7	4,086

Source: Frost and Sullivan

Corporate sector now welcomes the technology

PC presence grows

THE USE of personal computers within business organisations is entering a new phase. The stand-alone PC rose to fame on the back of "personal productivity" software applications such as the Lotus 123 spreadsheet, Wordstar word processing and Harvard Graphics for presentations. Growth of PC populations in large business organisations was rapid, even chaotic.

As a result the PC has been widely regarded by data processing professionals as a disruptive influence in the carefully architected world of corporate computing.

The presence of the PC was tolerated because of the computing power that it put at the instant disposal of executives, thereby unburdening the central data processing facilities. PC prepared ad hoc budget planning, presentation materials and confidential memoranda all contributed to the better functioning of a department or business unit.

But now that the PC has proved that it is not just a brief, bright spark in the data processing firmament, there is considerable movement towards bringing PCs under the umbrella of corporate information structures.

Increased use of PCs is necessary to home the competitive edge of most businesses. Indeed, most of the PC power in large organisations is wasted. Making PCs work harder for their keep is one way to raise productivity, extracting more value from the investment already made in hardware and training.

A fundamental change has come about in the role of PCs in the corporate sector from the interconnection of PCs to form Local Area Networks (LANs). The arrival of inexpensive, dependable network hard-

Most computing power in large organisations is wasted

ware and operating systems such as Novell NetWare and 3Com 3+Open has enabled new uses for existing PC hardware and the rise of a wholly new type of software for the networked environment.

Networked PCs allow their users to share applications and data files stored on a central "file server". By locating software and files centrally, control over software versions and making secure backups of the company's information is simplified.

Additionally, the cental server allows resources such as laser printers, CD ROM drives and modems to be shared among the community of users. Networking in its most basic form allows economy of operation but adds little to further the business enterprise.

The next step in group computing is the addition of electronic mail, often called email. With email it is possible to can send short messages to one or many colleagues instantaneously.

Email can work company-wide even to far flung international divisions. Messages can be forwarded, stored for future reference or printed. In some email systems, a confirmation can be sent to the originator when the recipient has picked up his or her mail. Email systems are credited with decreasing the circulation of paper in an organisation, allowing more timely decision making and eliminating "telephone tag".

Email is often integrated with other office tasks in popular software applications that are being called "groupware" to emphasise their workgroup orientation. WordPerfect Office, from the sellers of the leading word processing package, offers, in addition to email and the other utilities, a planning facility that can co-ordinate the diaries of individuals and resources such as conference rooms or overhead projectors.

The contents of an individual's computerised diary are kept confidential but a group leader can query the system to see if all members are free at 10 am on Tuesday and that a meeting room and a video are available at that time. The networked architecture is ideal for sharing scheduling information.

While there are groupware applications that join PCs, networks, UNIX multi-user systems, mainframes and minis, such as IBM's OfficeVision and DEC's All-in-1, the growth in the groupware market is the PC network end, owing to the tremendous number of PCs (estimated at over 50m currently) and rapidly growing number of PC networks.

One of the most ambitious packages in the groupware field is from Lotus, vendors of the corporate standard spreadsheet package 123. Notes is a recent release that provides "a new environment for sharing information and building information applications customised to the needs of individuals, department and companies".

Notes at first appears to be just a deluxe email package that runs on a number of common PC LAN systems. The usual email ability of communicating with individuals and groups is provided but on top of this basic function is added several additional features that set Notes apart.

Notes makes it possible to assemble documents from many sources. A message may contain a spreadsheet expert, graphics, a scanned in image, other email correspondence or text prepared with Notes own editor. With Notes a form soliciting information can be circulated and then a graphic distributed summarising the results of the poll.

Notes has access to information stored in company databases and allows rational viewing of the information. In addition, Notes can disseminate information gleaned from a newswire service in an orderly, categorised manner.

Notes lends itself to a variety of information sharing scenarios including customer tracking, project management, group discussion and shared databases. The co-ordination powers of Notes could be particularly valuable with operations that span several time zones or where consensus much be reached quickly.

Lotus intends to expand support from PC LANs to IBM PROFS and DEC VAX Mail so that mail can be exchanged with users on those popular

The next step in group computing is the addition of electronic mail

systems. Notes will soon be intergrated with Soft*Switch's SNAI which allows interchange with any email system using the X.400 standard.

Notes is unlike most PC software and other Lotus products in particular in that it does not come off the shelf ready to do a particular job.

Every application must be developed with reference to the specific requirements of the implementing organisation.

Notes is new concept and requires specialised support. Mr Paul Bailey, managing director of Lotus Development (UK) says: "Notes will be sold direct from Lotus. We are forming a specialist sales group whose focus will be on providing consultancy and support in the development of Notes applications."

Price Waterhouse has already bought 10,000 copies for use in its worldwide accounting, auditing and management consulting services.

Paul Lavin

PROFILE: Timeplex

Firm hold on market

NICHE LEADERS do not remain niche leaders for long these days without being swallowed up. But Timeplex, king of the T1 market, has remained Timeplex without deference to the company which bought it, Unisys. Timeplex holds 21.6 per cent of the worldwide T1 multiplexer market.

Its nearest rivals are Networking Equipment Technologies with 14 per cent, Newbridge with 12 per cent, and Stratàcom with 6 per cent.

A multiplexer allows a number of computer terminals to share the same telephone line by allowing each one a time slot. A T1 multiplexer works on digital circuits.

Timeplex was formed in New Jersey in 1969 and through the 1970s, steered itself to leadership in the market for time division multiplexers capturing 40 per cent.

In the late 1970s, microprocessor-based statistical multiplexers were introduced. These allow time slots to be varied according to those terminals which are most active. "Our differentiator is that we sold networking products rather than simple point-to-point, and *we did well in that market*," said Mr Bryan Gray, vice-president of Timeplex International.

The acquisition of Timeplex by Unisys formally took place in January 1988 in a share exchange deal worth over $300 million for Timeplex's 10 million shares. Unisys shares were trading at $31 at the time, compared to a pre-announcement price of $26.75 for Timeplex.

Timeplex became part of a new Unisys Networks subsidiary, but continued operating as an autonomous entity.

"That was important because Timeplex supplies networks into a multi-vendor environment, and customers did not want us to be particularly aligned to any manufacturer," Mr Gray added.

Since then, Unisys Networks has been wound up and something called the Communications Networking Group put in its place. In terms of the market, the group does not really exist.

The president of Timeplex, Mr Dewaine Osman, is also president of the group which has a small staff looking after Unisys's strategic and internal communications requirement. All the market sees of the group is Timeplex.

Timeplex continues to have its own separate sales, marketing, engineering, manufacturing, administration and facilities throughout the world.

With 1,600 employees worldwide and a network of distributors active in 50 countries, Timeplex has now grown into a $150 million company.

The company's operations are divided between North America and International, based in the UK since 1987, which now accounts for over half of Timeplex's revenues.

The main driving force behind the Timeplex move into the T1 market was the carriers

Cost cutting is taking place between competing US carriers

or PTTs. Up until 1973, most data transmission took place over analogue telephone circuits.

At the time, modem technology allowed digital data to be *converted to voice signals* at 9,600 bits per second (bps). When the carriers began to introduce digital circuits, such as British Telecom's Kilostream service operating at 64 Kbps and Megastream at 2 megabits per second, the T1 market was born.

In 1983, Timeplex launched its Link family of products for the rapidly emerging T1/E1 market. The E1 is the equivalent in Europe of the T1. Link allows for the connection of up to 200 terminals. Once the user starts to put a lot of data traffic on the line by adding voice and image information, some precaution against line failure has to be taken like a re-routing capability.

The transmission of imaging information is more prevalent in the US than Europe. Imaging requires high bandwidth lines and T3/E3 networks are now beginning to emerge.

There is a lot of cost cutting taking place between competing US carriers, and the cost differential between a T1 line and a T3 line is small. In Europe, E3 lines are generally not freely available. They can be had on special order, but they are not tariffed.

The US T3 service is a 45 megabit transmission facility, while in Europe's E3 is a 34 megabit service. T3/E3 has leapfrogged the slower T2/E2 service, largely as a result of the US tariff structure which makes T2 unattractive relative to T3.

Recent research has placed the European E1 market this year on a par with the US's T1, and predicts Europe overtaking the US next year, partly because of the growth of the US T3 market at the expense of T1. In September 1989, Timeplex acquired Broadband Telesystems from Unisys to give it access into entry level T3 networking equipment. Networking Equipment Technologies is the only other main independent T1 supplier to also offer T3.

The T1/E1 market is currently in the doldrums, but in August, Timeplex nevertheless reported a first half revenue increase of over 20 per cent.

More recently this September, another company called Doelz was acquired. Doelz offers niche products primarily for the US financial market, *particularly packet switching* statistical multiplexers for analogue circuits.

Over the past two to three years, about 60 per cent of Doelz's production was distributed by Unisys. "What we chiefly acquired Doelz for was its development in high speed packet switching technology, which is not to be confused with X25 packet switching," Mr Gray says.

"What it provides is the ability to move data quickly and efficiently between locations, and the ability to switch the destination of that data within the network."

According to Mr Osman, Timeplex's president, continued growth for the company will come from new products that reflect new traffic patterns. For the future, Timeplex has committed itself to new technologies such as frame relay, fast packet, cell relay, and asynchronous transfer mode. They will require substantial research and development expenditure and the company is already spending 13 per cent of its revenues on this.

Boris Sedacca

The check-out till isn't what it used to be, says **Philip Manchester**

Microchip marketing

COMPUTER networking has changed retailing beyond recognition in the last decade. Computerised checkout tills, linked to "back office" computers via networks, have opened a range of possibilities for retailers. They have changed everything from the way shoppers pay for goods to the levels of stock held on shelves.

There is every reason to believe that this trend will continue, with the promise of networked computers being used in front-line marketing to allow retailers to gain a competitive edge.

Computerised catalogues at the point of sale and other services to help shoppers make buying decisions are being talked about by some retailers. Direct links between retail point-of-sale systems and supplier systems, to improve order processing, are also beginning to emerge.

"Retail by definition is distribution, so you must have networking to get it to work," says Humphrey Walker, a retailing specialist at UK computer manufacturer ICL.

There are, of course, several levels of computer networking in the retail industry. At the top end, large retailers such as Sainsbury and Marks & Spencers have gone to the expense of setting up their own private "fixed-link" networks to connect their many branches to a central head office computer. Other systems use the standard telephone network and a networking technology called packet-switching to connect branch tills with central computers. At the low end, a small retailer might have three or four personal computers attached to each other, using a local area network technology like Ethernet and a "gateway" to the telephone network.

Most current systems in medium to large retail operations accumulate data at the point-of-sale till during the day and send it over the network to a "back-office" computer overnight to update the stock position and perform accounting functions. Some systems also provide facilities to "download" data such as price lists and warehouse stock positions to local minicomputers or large PCs. More advanced systems also allow updates and inquiries to take place during the day.

A common thread running through all systems in the 1990s, however, is the move towards standard hardware and software. These "open systems", allowing retailers to mix-and-match systems, in addition to paving the way to links with suppliers.

"In the early days of retail networks, we had fairly clever but inflexible systems based on proprietary hardware," explains Bob Hance, retail product manager at the Olivetti.

"Nowadays, however, the trend is towards systems using PC technology linked together locally with standard networking systems like Ethernet and Token-Ring and using the standard wide area protocols – such as X.25 packet switching.

"The ideal thing about PCs for a lot of large retailers is that they can adopt an open systems approach. B&Q and Tesco have gone this route and it allows them to exchange data with back-office systems from different manufacturers for accounting and stock control," he goes on.

ICL's Mr Walker notes, however, that retailers are also looking for tried and tested technology because they cannot afford to be pioneers – in spite of increased pressure on their systems: "The amount of data being gathered at the till is increasing, and the time to get it sorted out is shrinking as shops stay open for longer. This is particularly true in food retailing where the cycle gets tighter and tighter," he says.

The key to successful retail networks, as in most computer systems, is the choice of software to control the network. Again standards have emerged which give retailers greater choice in hardware. "Retailers can find themselves in a minefield because there are so many types of networking available," says Richard Cook, managing director of Arnel, a UK company specialising in installation of retail systems based on Japanese manufacturer Mitsubishi equipment.

"The market is moving towards standard PC MS/DOS-based systems with Novell networking software. Novell has become the top dog in local area networking and most people want know first off whether the equipment is Novell compatible," Mr Cook adds. "It is a very good solution if it is installed properly.

"Putting a network together is a bit like a jigsaw puzzle. But if it is planned well, it is possible to build a flexible system which can be expanded to meet changing needs in the business."

One area where many retailers see potential for expansion is in payment authorisation. The increased use of credit cards for making payments has put pressure on retailers to install authorisation systems and even funds transfer systems. Such systems require much greater traffic over the network than that required for traditional retail systems. They also rely on co-operation between retailers and banks – which has been lacking in the UK.

In 1989 there were plans to introduce a nationwide electronic funds transfer point-of-sale system called EFTPOS UK, which would have prepared the groundwork for a comprehensive network. Rivalry between banks, however, caused the scheme to be abandoned.

In spite of the failure of EFTPOS UK, there is still great interest in advanced technology among retailers. Some areas of the retail market have already moved forward. The so-called "white goods" market (refrigerators, washing machines, etc) is using advanced networks to reduce stock positions and provide service to customers.

The Early Learning Centre, a successful UK high-street retailer, is even using satellite technology to connect its chain of US outlets to its central ICL mainframe computer in Swindon in the UK. Promised new networking services like integrated switch digital networks (ISDN) – which will enable data to be transmitted quicker and more easily – also hold plenty of scope for further strides forward in retail networks.

"Retailers are great exploiters of the technology and they will squeeze it till it hurts. Their everyday business depends on making the technology work for them," says Mr Walker. Networking and retailing go well together and as the technology improves, the opportunities for retailers to exploit it in new ways will continue to change the face of shopping.

The new look of retailing: a checkout operation at Sainsbury's where information is collected via the laser scanning system

PROFILE: Netwise

Set to become a top 'plumber'

NETWORKING software is often described by its developers as the "glue" which holds modern computer systems together. In the same way that an operating system like MS/DOS will handle complex systems functions on a personal computer, network control software fills the same role in the wider environment of a computer network.

Applications like electronic mail, or those that are based on transaction processing and database management, rely on network control software as their foundation.

In addition to controlling the network and its resources, this software is expected to look after the complex problems of moving data and processes around a network.

The trend towards networks of computers from different manufacturers with incompatible software poses a special challenge to network software developers. One of the techniques developed to meet this challenge is the concept of the remote procedure call (RPC).

This is a mechanism designed to allow computers of different types and with different software environments to talk to each other at a very high level.

RPC technology lets one computer start a program in another computer on the network. A simple application would, for example, let a personal computer send a document to another computer and ask it to print it out.

A more complex one would involve, say, an Apple Macintosh starting a transaction processing session on a mainframe.

Netwise, a US software developer based in Boulder, Colorado, took on the challenge of building an RPC technology which can accommodate a wide range of computer types and operating environments.

In August 1990 it added IBM's important 370 mainframe environment to the range of systems which it supports. The announcement was significant since it solves the problem of connecting different manufacturers' computers to IBM networks at application level.

Bill Jacobs, Netwise director of product marketing says: "This extends IBM's System Application Architecture (SAA) to other environments." SAA is IBM's blueprint for future networked applications based on its three main computer ranges: the 370 mainframe, the AS/400 mini and the PS/2 personal computer.

Netwise's RPC will allow computers from DEC, Apple and those based on Unix "open systems" to be attached to SAA networks and produce integrated applications.

Netwise was founded in 1986

The industry is made of 'plumbers' and 'application developers'

with backing from a number of investors, including Xerox and Ameritech, to address this problem.

It has taken the International Standards Organisation (ISO) standard for RPC and turned it into an important software product which has been endorsed by many manufacturers and software developers – among them Sun Microsystems, Wang, Ashton-Tate, Lotus, Oracle, and Novell.

Mr Jacobs sees the software industry as being made of "plumbers", who build infrastructural systems software, and "application developers", who sit on top of this foundation. "We are in the first group with our focus on developers of applications software – both within user organisations and among product developers. We write the software for the developer which does all the networking junk," he says.

Netwise formed an international division in 1989, has distributors in the UK, West Germany and the Netherlands, and has marketing agreements with Data General, Group Bull, NCR, Prime, Unisys and Wang.

It looks set to become one of the most influential software "plumbers" of the 1990s.

Philip Manchester